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*Canadian Pacific*  
Railway Company

## Annual Report 1965

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# *Canadian Pacific*

## **Successfully serving markets on the move**

The newest in specialized freight equipment, designed to meet the varied transportation needs of modern industry, agriculture and natural resources development, is one of many ways in which Canadian Pacific is availing itself of the opportunities and challenges of ever-expanding, rapidly-shifting markets in Canada and abroad.

Special-purpose gondola cars, multi-level cars for autos and trucks, cushioned-underframe boxcars, along with automated handling, electronic data processing and enlarged freight terminal facilities are spurring the development of new rail traffic potential throughout the entire system.

This marketing flexibility and foresight in providing for the fast-changing requirements of Canadian Pacific customers, together with integrated land-sea-air transportation routes, enables Canadian Pacific to provide unique world-wide service. Canada will benefit from the ability of Canadian Pacific to supply, swiftly and efficiently, total transportation equipment and services to strengthen the nation's economy.

The newly-enlarged format of this 1965 Annual Report dramatically displays colour illustrations and photographs descriptive of system-wide advances. Outstanding among these many achievements was the manner in which Canadian Pacific met the increasing demands placed on its freight services. The cover shows a wide range of specialized new freight equipment that is helping Canadian Pacific provide new dimensions in transportation services.



# Canadian Pacific Railway Company

APRIL  
3, 1966

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### Notice to Shareholders

The Eighty-fifth Annual General Meeting of the Shareholders of this Company, for the election of Directors to take the places of the retiring Directors and for the transaction of business generally, will be held on Wednesday, the fourth day of May next, at the principal office of the Company, at Montreal, at twelve o'clock noon (daylight saving time, if operative). The Ordinary Stock Transfer Books will be closed in Montreal, Toronto, Vancouver, New York, and London at 3.30 p.m. on Tuesday, the twelfth day of April, 1966. The Preference Stock Books will be closed in Montreal, Toronto, Vancouver, and London at the same time. All books will be re-opened on Thursday, the fifth day of May, 1966.

By order of the Board, T. F. Turner, Secretary.  
Montreal, March 16, 1966.



## Board of Directors

G. H. BAILLIE, *Vice-President*, Canadian Pacific Railway Company, Montreal

G. MAXWELL BELL, *Chairman*, F.P. Publications, Limited, Calgary

SIR GEORGE BOLTON, K.C.M.G., *Chairman*, Bank of London & South America Limited, London, England

\*GEORGE W. BOURKE, *Chairman of the Board*, Sun Life Assurance Company of Canada, Montreal

F. PHILIPPE BRAIS, C.B.E., Q.C., *Chairman of the Board*, Banque Canadienne Nationale, Montreal

CYRIL F. H. CARSON, Q.C., *Partner*, Law Firm of Tilley, Carson, Findlay & Wedd, Toronto

THE HONOURABLE J. V. CLYNE, *Chairman of the Board and Chief Executive Officer*, MacMillan, Bloedel and Powell River Limited, Vancouver

\*N. R. CRUMP, *Chairman and Chief Executive Officer*, Canadian Pacific Railway Company, Montreal

\*R. A. EMERSON, *President and Chief Operating Officer*, Canadian Pacific Railway Company, Montreal. (Deceased March 13, 1966)

G. BLAIR GORDON, *Chairman of the Board*, Dominion Textile Company Limited, Montreal

G. ARNOLD HART, M.B.E., *Chairman and President*, Bank of Montreal, Montreal

ALLARD JISKOOT, *Partner*, Pierson, Heldring & Pierson, Amsterdam, The Netherlands

\*H. H. LANK, *Chairman of the Board*, Du Pont of Canada Limited, Montreal

W. EARLE McLAUGHLIN, *Chairman and President*, The Royal Bank of Canada, Montreal

JAMES A. RICHARDSON, *Chairman and Chief Executive Officer*, James Richardson & Sons, Limited, Winnipeg

LUCIEN G. ROLLAND, *President and General Manager*, Rolland Paper Company, Limited, Montreal

HOWARD C. SHEPERD, *Retired Chairman*, First National City Bank, New York

\*IAN D. SINCLAIR, Q.C., *Vice-President*, Canadian Pacific Railway Company, Montreal

\*H. GREVILLE SMITH, C.B.E., *Industrialist*, Montreal

HAROLD M. TURNER, *Vice-Chairman*, Turnbull Elevator Limited, Toronto

\*H. G. WELSFORD, M.B.E., *Chairman of the Board*, Dominion Bridge Company Limited, Montreal

NORMAN E. WHITMORE, *President*, Whitmores Limited, Regina

HENRY S. WINGATE, *Chairman of the Board and Chief Executive Officer*, The International Nickel Company of Canada, Limited

## Officers

N. R. CRUMP, *Chairman and Chief Executive Officer*, Montreal

IAN D. SINCLAIR, Q.C., *Vice-President*, Montreal

G. H. BAILLIE, *Vice-President*, Montreal

J. N. FRAINE, *Vice-President, Rail Operations*, Montreal

S. M. GOSSAGE, *Vice-President, Company Services*, Montreal

D. I. McNEILL, Q.C., *Vice-President, Personnel*, Montreal

H. P. MILLAR, *Vice-President, Purchases and Stores*, Montreal

H. C. REID, *Vice-President and Comptroller*, Montreal

J. M. ROBERTS, *Vice-President, Traffic*, Montreal

F. V. STONE, *Vice-President, Development*, Montreal

G. J. van den BERG, *Vice-President, Finance*, Montreal

J. A. WRIGHT, Q.C., *Vice-President, Law*, Montreal

G. E. BENOIT, *Vice-President, Atlantic Region*, Montreal

C. A. COLPITTS, *Vice-President, Pacific Region*, Vancouver

D. M. DUNLOP, *Vice-President, Prairie Region*, Winnipeg

L. R. SMITH, *Vice-President, Eastern Region*, Toronto

J. HOLMES, *Treasurer*, Montreal

R. H. PAUL, *Deputy Secretary*, 8 Waterloo Place, London, S.W.1, England

T. F. TURNER, *Secretary*, Montreal

### Stock Transfer Agents

BANK OF MONTREAL TRUST COMPANY  
2 Wall Street, New York

THE ROYAL TRUST COMPANY  
105 St. James Street West, Montreal

THE ROYAL TRUST COMPANY  
119 Adelaide Street West, Toronto

THE ROYAL TRUST COMPANY  
626 West Pender Street, Vancouver

DEPUTY SECRETARY  
8 Waterloo Place, London, S.W.1, England

### Stock Listings

DEBENTURE STOCK (STERLING) LISTED ON:  
London Stock Exchange

DEBENTURE STOCK (U.S. CURRENCY) LISTED ON:  
New York Stock Exchange

PREFERENCE STOCK LISTED ON: Montreal, Toronto,  
Vancouver and London Stock Exchanges

ORDINARY STOCK LISTED ON: Montreal, Toronto, Vancouver,  
New York and London Stock Exchanges

For more information, shareholders should write to:  
T. F. Turner, Secretary, Canadian Pacific Railway Company,  
Montreal 3, Canada.



# Highlights

## Year's Results

	1965	1964	Increase or Decrease
Railway Revenues	\$ 518,035,410	\$ 510,144,989	\$ 7,890,421
Railway Expenses	477,795,703	466,680,334	11,115,369
Net Railway Earnings	40,239,707	43,464,655	3,224,948
Ratio Railway Expenses to Railway Revenues	92.2%	91.5%	0.7%
Other Income	\$ 17,580,169	\$ 16,789,532	\$ 790,637
Interest and Rental Charges	16,344,375	16,184,235	160,140
Net Income from Railway and Miscellaneous Sources*	41,475,501	44,069,952	2,594,451
Dividends therefrom:			
Preference Stock	3,401,339	3,390,058	11,281
Ordinary Stock — 1965 - \$1.25 per share			
1964 - \$1.50 per share	17,915,570	21,498,684	3,583,114
Balance for Modernization and Other Corporate Purposes	20,158,592	19,181,210	977,382
Net Income per Ordinary Share,* after Preference Dividends	\$ 2.65	\$ 2.83	\$ 0.18
Income from Canadian Pacific Investments Limited:			
Net Income (being dividends received from Canadian Pacific Investments Limited)	\$ 20,065,438	\$ 14,332,456	\$ 5,732,982
Dividends therefrom:			
Ordinary Stock — 1965 - \$1.40 per share			
1964 - \$1.00 per share	20,065,438	14,332,456	5,732,982

\* Excluding dividends received from Canadian Pacific Investments Limited

## Tax Accruals

Income Taxes	\$ 33,435,000	\$ 37,960,000	\$ 4,525,000
Property and Other Taxes	14,497,284	14,964,175	466,891

## Year-end Position

Working Capital	\$ 24,668,572	\$ 40,593,458	\$ 15,924,886
Investments	469,125,490	446,474,736	22,650,754
Properties—Net	1,366,695,816	1,358,513,765	8,182,051
Funded Debt	124,731,500	129,212,500	4,481,000

## Traffic

Tons of Revenue Freight Carried	67,411,452	66,362,475	1,048,977
Revenue Passengers Carried	6,868,283	6,997,202	128,919

## Employees

Employees, All Services	66,837	68,540	1,703
Total Payroll	\$ 343,645,867	\$ 331,982,756	\$ 11,663,111



Total transportation to serve moving markets consists, in part, of swift, Vancouver-based Canadian Pacific Air Lines Super DC-8 jets, giant tractor-trailers of Canadian Pacific Merchandise Services on highways in Western Canada, extensive Canadian Pacific 'Piggyback' operations at Toronto, but, above all, total transportation is modern equipment—such as powerful new Canadian Pacific diesel locomotives for high-speed freight service.





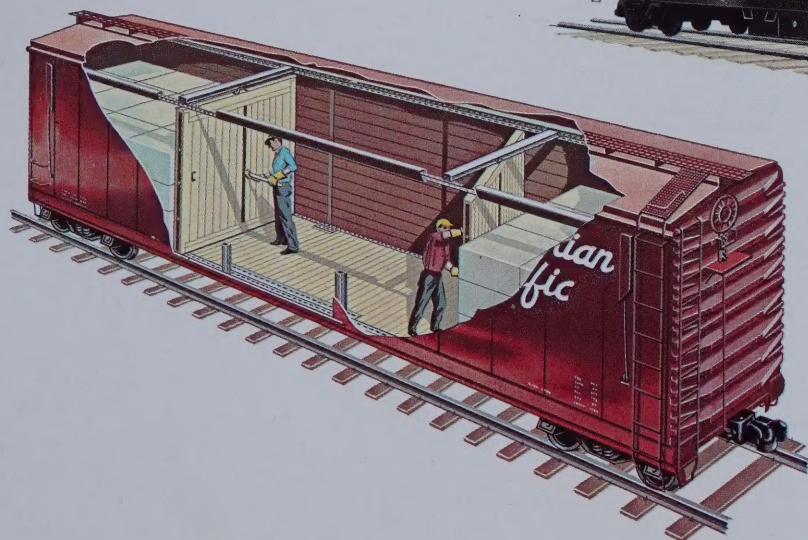
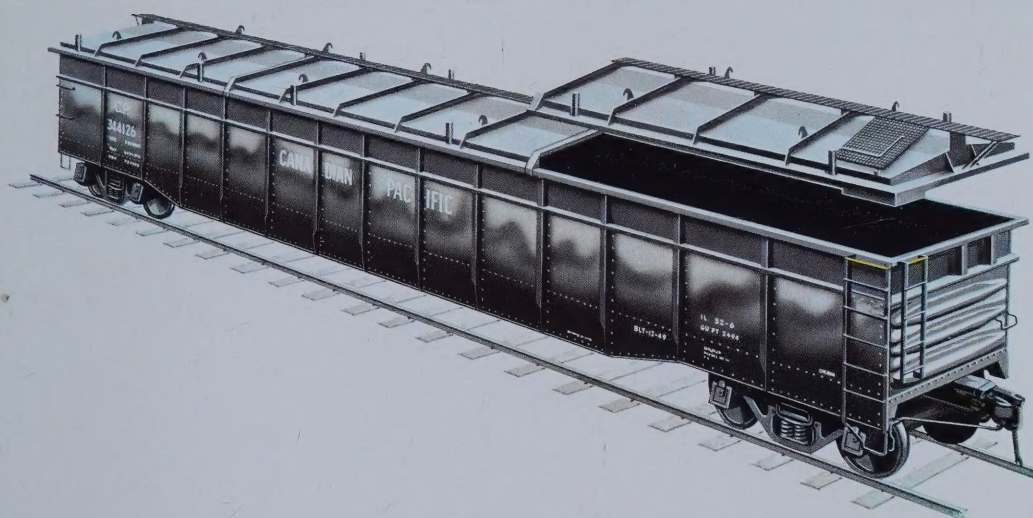
Total transportation services are exemplified by highly-specialized Canadian Pacific rolling stock. Below, top to bottom: covered hopper for bulk traffic; cushioned-underframe boxcar designed for newsprint traffic; tri-level auto car, a more efficient rail method of motor vehicle distribution.

Opposite, top to bottom: covered gondola car for steel and other metals; mechanical refrigerator car for frozen foods and the meat-packing industry; damage-free bulkhead boxcar for package traffic, canned goods, food products.





Illustrated are but a few of the many Canadian Pacific freight cars that have been tailored to the individual requirements of Canadian industry. Whether a customer needs refrigeration in summer, heating in winter, or special loading and unloading features for hard-to-ship materials, Canadian Pacific has the right cars for the job. This is total transportation service.









# The Year in Review

Your Directors take pleasure in presenting herein their report on the results and developments of the year 1965, the 80th anniversary of the completion of your transcontinental railway line and a year of achievement over the whole range of Canadian Pacific enterprises.

The net income of your Company from railway and miscellaneous sources other than Canadian Pacific Investments Limited amounted, after fixed charges, to \$41.5 million. After providing for dividends of 4% on Preference Stock, income available for dividends on the Ordinary Stock and for reinvestment amounted to \$38.1 million, or \$2.65 per share of Ordinary Stock, compared with \$40.7 million, or \$2.83 per share, in 1964. Dividends totalling \$1.25 per share were declared on the Ordinary Stock, compared with \$1.50 per share in the previous year.

Income received from Canadian Pacific Investments Limited amounted to \$20.1 million and, in accordance with the policy established by your Directors, this income was distributed by the declaration of additional dividends totalling \$1.40 per share on the Ordinary Stock of your Company. This compares with \$1.00 so distributed in the previous year.

Total dividends on the Ordinary Stock for 1965 were therefore \$2.65 per share, an increase of 15¢ per share over 1964.

The year was another good one for the Canadian economy; it was the fifth consecutive year of expansion, and at a rate as high as any achieved since 1956. Record production and sales generated a record volume of goods to be moved, with the result that your transportation services were fully engaged in meeting exceptionally heavy demands upon them. Substantial purchases of new freight cars and locomotives provided timely enlargement of railway capacity. More than \$60 million — the largest amount since 1957 — was spent in rebuilding 48 diesel locomotives and acquiring 2,743 freight cars, the latter principally of such specialized types as mechanical refrigerator cars, bi- and tri-level truck and auto carriers and covered hoppers. Orders for new equipment in 1966 will be similar in size, in keeping with the excellent prospects for growth of rail freight traffic.

As part of the continuing effort to take full advantage of the opportunities available, your Freight Traffic Department was further strengthened by the appointment of regional traffic development officers, who will concentrate on serving new shippers and new industries and existing industries that are expanding.

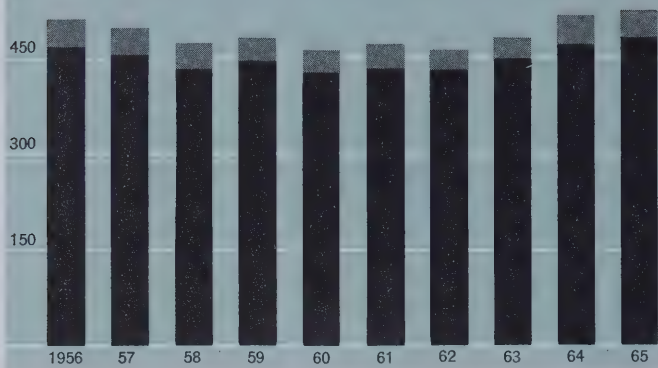
The first Customer Service Centre was opened at Lethbridge, Alberta, marking the beginning of a new phase of improving freight service. As a result of the concentration of specialized staff and equipment at central points, the placing of empty



## Railway Revenues, Expenses and Net Earnings

■ Expenses ■ Net Earnings

Millions of Dollars



cars is facilitated and shippers get faster, more complete information on car and train movements and on rates and accounts. A new means of contact with customers is provided through the appointment of mobile representatives.

Your Company has found it necessary in recent years to adapt its rail passenger services to the realities of present and prospective travel patterns in view of the decline of effective demand for rail passenger service. In 1965 this led to the decision that your second transcontinental train, "The Dominion", should be withdrawn, with related adjustment being made in the schedule of "The Canadian". After hearings, the Board of Transport Commissioners early in 1966 approved withdrawal of "The Dominion". Another major change grew out of the request of the Canadian National for termination of the pool agreement covering the operation of passenger trains between Montreal - Toronto, Toronto - Ottawa and Montreal - Quebec. After a brief period of separate operation by both railways, it became evident that service between Montreal and Toronto and between Toronto and Ottawa could be most effectively provided by a single carrier. Consequently, under arrangements worked out with the Transport Board, your Company withdrew its passenger trains from those runs.

Piggyback, express, merchandise services and trucking operations continued to grow during the year. Progress was made in developing and testing container equipment which is freely interchangeable between trains, trucks and ships.

Your Air Lines enjoyed the best year of their history. The billion mark in passenger miles was exceeded for the first time. A new service was commenced linking Toronto and Montreal with Amsterdam and Rome. The sixth Super DC-8 jet added to the fleet was unfortunately lost in the tragic accident at Tokyo on March 4, 1966. Another Super DC-8 will be in service in mid-1966. Orders were placed for three DC-8-63 series with substantially increased carrying capacity for passengers and cargo for delivery in 1967. By the end of 1965 all except local routes in British Columbia and Alberta were being flown with jets.

Telecommunication services fully kept pace with the exacting demands of modern business for instant, reliable communications. Particularly striking was the increase in demand for "Telex" service.

Your steamship freight services were augmented by the entry into the North Atlantic trade of the new automated vessel, the "Beaveroak". Canadian Pacific (Bermuda) Limited purchased a bulk carrier to move lead concentrates produced by Pine Point Mines Limited, a subsidiary of Cominco, to the smelter in Japan being constructed by Cominco in association with Japanese interests.

Your investment and holding subsidiary, Canadian Pacific Investments Limited, took further strides in 1965 in implementing its policies of development and diversification. A new subsidiary, Canadian Pacific Securities Limited, was incorporated to raise capital funds which will be made available primarily to subsidiaries of Canadian Pacific Investments Limited.

Canadian Pacific Oil and Gas Limited had a most active and successful year. Its drilling program resulted in 83 oil wells and 19 gas wells, representing a success ratio of 65%.

Sales of The Consolidated Mining and Smelting Company of Canada Limited reached a new high level, reflecting higher metal production, improved prices for lead and zinc and continued expansion of fertilizer sales.

Pacific Logging Company Limited increased its log production and extended its reforestation program.

Canadian Pacific Hotels Limited greatly expanded its operations by taking over the Royal York and the Empress hotels from the Railway Company.

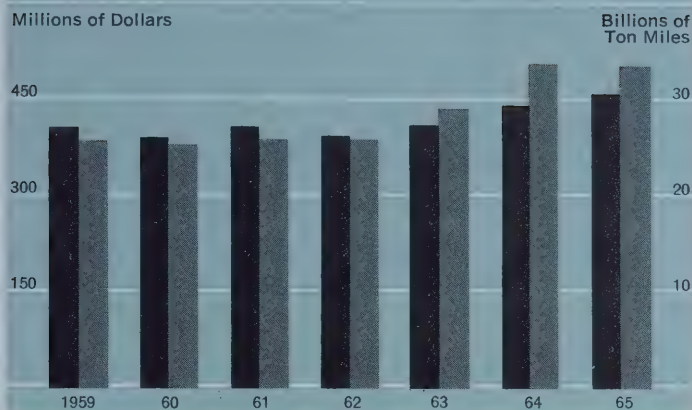
Marathon Realty Company Limited took over responsibility during the year for all non-transportation real estate, thus ensuring the orderly development, under unified management, of such properties. Marathon completed construction and leasing of commercial buildings in two communities. Plans are well advanced for an extensive redevelopment program in Calgary and studies are progressing on similar projects for other centres.

Your Directors take pleasure in thanking the thousands of Canadian Pacific customers for their patronage; to those who have not yet joined those ranks, a most cordial invitation is extended to do so. Your Directors are also pleased to take this opportunity to express their appreciation to officers and employees for their contribution to the progress of the Company.



# Railway Operations

■ Railway Freight Revenue and  
■ Revenue Freight Ton Miles



**NET RAILWAY EARNINGS**, amounting to \$40.2 million after provision for income taxes of \$29.7 million, were \$3.2 million, or 7%, below those of the previous year. The ratio of net earnings to railway revenues was 7.8%, compared with 8.5% in 1964. The rate of return on the net investment in railway property was 3.2%.

**RAILWAY REVENUES** amounted to \$518.0 million, an increase of \$7.9 million, or 1.5%, over the record year of 1964. Revenues included payments of \$19.2 million related to recommendations of the MacPherson Royal Commission on Transportation and \$7.3 million in respect of freight rate reductions. In 1964 the total of such payments included in revenues was \$26.7 million.

**RAILWAY EXPENSES** totalled \$477.8 million, an increase of \$11.1 million, or 2.4%. Higher wage rates accounted for approximately \$9.3 million of the year's expenses and increased material prices for an estimated \$2.6 million. Still pending at the year end was the amount to be paid by the Government in respect of additional wage costs arising out of settlements reached with employees in 1964.

## Freight Traffic

**FREIGHT REVENUE** for the year, at \$461.2 million, was \$12.0 million, or 3%, higher than in 1964, while the volume of freight traffic carried, as measured in revenue ton miles, was 0.5% less. As a result, the average revenue per ton mile increased fractionally.

Substantial increases in volume were achieved in automobiles, trucks and parts; fertilizers — mainly potash; pulpwood; non-ferrous ores and concentrates; newsprint; and other mine products, of which sulphur was an important component. In contrast, grain and grain products and lumber traffic were down sharply. The increase in grain movement in the last four months of the year as a result of new sales to Russia did not offset the decline in this traffic in the first eight months. Apart from grain, the growth in freight traffic was in line with the expansion of the country's economy during the year. Lumber, timber and plywood movements were adversely affected by a levelling off in residential construction, particularly in the United States, and by a substantial increase in water traffic from B.C. coast ports to California ports and the United States Atlantic seaboard.

Illustrating one phase of traffic development is the program of encouraging industrial development along your Company's lines. In 1965, a total of 283 new manufacturing, warehousing and distributing firms located on or near Canadian Pacific lines, and a further 452 industries expanded or relocated their facilities adjacent to your railway.

To provide better service and to attract traffic, new equipment was purchased and modifications made to existing equipment on the largest scale since 1957. Two-thirds of the new freight cars were for specialized service, such as gondola cars of exceptional length and width for steel plate traffic; refrigerator cars of unique design offering automatic control of temperatures for meat, frozen food and other perishables; high capacity covered hoppers for potash and other dry bulk commodities; specially equipped box cars for newsprint; and bi- and tri-level cars for carrying trucks and autos.

**MERCHANDISE SERVICES**—New equipment, including trailer train units for operation out of Winnipeg and Brandon, was provided during the year to meet increasing demands for this type of service. Further progress was made in the co-ordination of rail and road movements of cement and other supplies for the Columbia River dam sites.

**PIGGYBACK SERVICE**—Canadian Pacific piggyback operations continued to expand, nationally and internationally. A total of 174,000 trailers was handled during the year, an increase of 10% over 1964. Just eight years after the inauguration of the service in 1957, the one-millionth trailer was handled on November 29, 1965.

Improvement and expansion of facilities to provide for the growth of piggyback traffic included the establishment of seven new terminals, bringing the total to 60, and the purchase of 234 piggyback flat cars, bringing the inventory of such units to 1,517 at year end.

**FREIGHT RATES** — There was no change in 1965 with regard to the "freeze" on the level of freight rates for class and commodity rated traffic imposed by the Government in 1959. Interim payments to the railways were continued in the absence of legislative action on the recommendations of the MacPherson Royal Commission on Transportation and compensatory payments for freight rate reductions were extended to March 31, 1966.

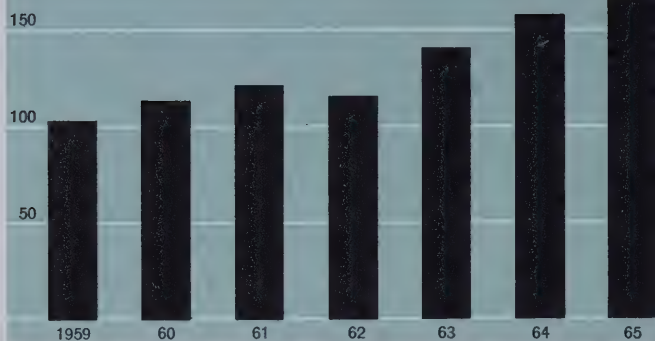
During 1965 there were 127 new agreed charge contracts negotiated, bringing to 1,083 the number in effect at year end.

The increase in bulk grain rates from Georgian Bay ports to the St. Lawrence River and Canadian Atlantic ports for export, authorized by the Board of Transport Commissioners effective April 1, 1961, was again suspended for a further period to June 30, 1966. However, on all grain moved after January 1, 1966, provision has been made for payment by the Government to the railways of the difference between revenue calculated at rates authorized by the Board and revenue calculated at existing rates.



Number of Piggyback Trailers Handled

Thousands



## Passenger Traffic

PASSENGER REVENUE, including sleeping, parlour, dining and buffet car revenue, amounted to \$31.3 million, a decrease of \$1.8 million, or 6%, from 1964. Reductions of 5% were made in passenger train mileage and of 8% in passenger-carrying car miles. Excluding commutation traffic, the number of revenue passengers carried decreased 11% and the number of revenue passenger miles 15%.

## Other Traffic

MAIL REVENUE, at \$3.4 million, was down \$1.7 million from 1964, reflecting the cancellation of mail contracts and reduction of passenger trains.

EXPRESS — Net earnings of your Express Company taken into railway earnings as compensation for carrying express amounted to \$4.0 million, a decrease of \$382,000, or 9%. Gross revenues of the Express Company increased as a result of some higher rates and additional volume of traffic handled, but a sharper rise in wage and other costs offset the gain in revenues.

## Railway Expenses

ROAD AND EQUIPMENT MAINTENANCE — Road maintenance expenses were \$1.1 million, or 1%, lower than in the previous year, notwithstanding increases in wage rates. Equipment maintenance expenses increased \$4.9 million, or 5%. An extensive program of heavy repairs, particularly to box and open top cars, was undertaken in order to have sufficient and adequate equipment to meet the heavy demands of the year's traffic. Depreciation charges on equipment were higher owing to the growth in freight car and locomotive investment and to an increase in the depreciation rate for passenger cars.

TRANSPORTATION expenses amounted to \$185.4 million for the year, an increase of \$8.3 million, or 5%, over 1964. More than half of this increase was attributable to higher wage rates. Operating performance, as measured by average freight train weight, the number of cars per freight train, and gross ton miles per freight train hour, was slightly below the record level established in 1964. The ratio of transportation expenses to railway revenues rose to 35.8%, from 34.7% in the previous year.

## Labour Relations

In accordance with the terms of their collective agreements, the unions representing some 35,000 non-operating employees of Canadian Pacific served notice on November 15 of demands for increased wages and changes in working conditions. Unlike previous years when these unions acted in concert in bargaining with the major railways, in the present instance they are

bargaining as three groups, with three sets of demands. The unions representing tradesmen, employed mainly in the large shops, are acting independently of the other non-operating unions, as is the Canadian Brotherhood of Railway Transport and General Workers.

Wage increases demanded range from 12½% plus 27¢ per hour to 53%, in addition to differentials for afternoon and night shifts. Among other demands are increased vacations and holidays, increased health and welfare benefits to be fully paid for by the Company, paid sick leave and bereavement pay. Total annual cost is estimated to be close to \$90 million.

A work stabilization agreement, demanded by all unions other than the shop crafts group, would freeze the work force at present levels and require union agreement on future reductions. Retraining of redundant employees at Company expense and stabilization of employee income as at time of lay-off for a period of five years are demanded as part of this plan.

Meetings with these unions have been held and the next step will undoubtedly be the appointment of conciliation boards by the Minister of Labour.

The Brotherhood of Railroad Trainmen, representing conductors, trainmen, yardmen and yardmasters, served notices on your Company on November 2 to increase wages and grant changes in working conditions.

Wage increases demanded are 15% for conductors and trainmen and 90¢ per hour for yardmen and yardmasters as well as differentials for afternoon and night shifts in respect of the latter groups.

Further important demands by this Brotherhood are the reduction from the present eight-hour basic day to a six-hour basic day for road service employees, increased vacations, increased health and welfare benefits to be fully paid for by the Company, paid sick leave and a rule which would prevent your Company from making any material change in working conditions or alteration of conditions of employment unless and until such change or alteration is negotiated with and agreed to by the Union. Total annual cost is estimated to be \$16 million. Negotiations are continuing.

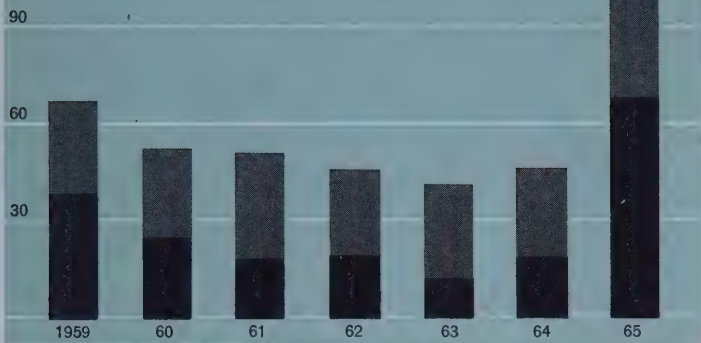
In spite of vigorous objections made by your Company and similar objections made by airline, steamship, trucking and other companies under Federal jurisdiction, the Federal Government enacted the Canada Labour (Standards) Code on July 1. The Code provided for: a minimum wage of \$1.25 per hour for all employees; eight statutory holidays for all employees (formerly seven, except for running trades employees in road service, who had none); two weeks vacation



## Capital Expenditures on

■ Equipment ■ Road

Millions of Dollars



after one year instead of after two as formerly; and eight hours work per day, forty hours per week, with penalty overtime for service beyond these hours.

At current rates of pay, it is estimated that the minimum wage rate, statutory holiday and annual vacation provisions of the Code will add about \$2 million per annum to railway costs.

Apart from the additional heavy increase in expense involved, the imposition of statutory limitations on hours of work based upon the concept of an eight-hour day, forty-hour week, with their limitations upon allowable overtime, is considered wholly inappropriate and unworkable for many classifications of railway employees and the running trades in particular. In accordance with provisions in the Act, application for deferment from the hours of work provisions has been filed with the Minister of Labour. No action has yet been taken.

## Improvements in Equipment and Facilities

The 1965 program of additions and improvements to railway equipment and property cost \$102.6 million and was the largest undertaken in many years. Of this amount, \$47.7 million was for the purchase of 2,743 new freight cars, \$13.7 million was spent on diesel locomotives, and \$36.0 million was expended on track, roadway and other facilities.

The new freight cars placed in service were of greater carrying capacity than those they replaced and many of them embodied special design features, such as the 958 70-ton box cars with cushion underframes, the 100 65-foot, 100-ton gondola cars and the 126 50-foot, 70-ton mechanical refrigerator cars. Other units acquired were: 900 100-ton steel covered hopper cars, 200 56-foot, 70-ton bulkhead end flat cars, 225 bi- and tri-level flat cars and 234 50-ton piggyback flat cars.

Railway motive power was augmented and improved through the rebuilding and upgrading of 48 diesel locomotives and initiation of a major traction motor rebuilding program which involved 198 motors in 1965.

Expenditures on roadway covered the laying of 585 miles of new and relay rail, the installation of 1.2 million ties and the application of rock and gravel ballast to 314 miles of track. Centralized traffic control was installed on 179 miles of track in 1965. Automatic block signals, including 1,014 miles of centralized traffic control, were in use on 3,870 miles of road by the end of the year.

Other improvements to facilities in 1965 included completion of the new stockpiling and shiploading facility to handle iron ore pellets at Turner, Ontario and of a new one-spot car repair shop at Weston shops in Winnipeg.

## Other Income

Income of your Company from steamship, hotel and telecommunication operations and from investments other than Canadian Pacific Investments Limited, amounted to \$17.6 million, after provision for income taxes of \$3.7 million. In 1964 such income amounted to \$16.8 million, after income taxes of \$5.7 million. References below to net earnings from operations are, in all cases, before provision for income taxes.

## Steamships

Steamship operations resulted in a profit of \$111,000, compared with a loss of \$385,000 in 1964.

The earnings of the "Beaver" ships owned by your subsidiary Canadian Pacific Steamships, Limited, are not included above. The newest of that company's ships, the "Beaveroak" entered service in September. Of advanced design and highly automated, the "Beaveroak" provides opportunities for developing the rapidly growing method of shipping in containers that can be readily and economically transferred from one type of carrier to another.

The results of the "Beaver" ships owned by your Company and of vessels chartered for cargo operations in the North Atlantic and Great Lakes service were encouraging, with net earnings showing improvement over 1964. Higher revenues from carrying a greater volume of traffic were only partially offset by higher cargo handling costs and port charges.

Net earnings from "Empress" vessels were adversely affected by severe competition from airlines and by the diversion of surplus passenger ship tonnage to cruise operations. Under these conditions fares have had to be kept at a relatively constant level, while wage, material and other costs have been rising. The "Empress of Canada" was again assigned to winter cruise service from New York to Caribbean ports. The "Empress of England" was employed in cruise service from Liverpool to islands off the west coast of Africa, to the Mediterranean and to the Caribbean.

Changes in organization are continuing, with a view to achieving greater efficiency. Measures are being taken both in Liverpool and Montreal to reduce cargo handling costs of the United Kingdom-Eastern Canada service.

Canadian Pacific (Bermuda) Limited, a subsidiary company formed in 1964, became operational in 1965 with the purchase and commissioning of a 13,000-ton bulk carrier, the "R.B. Angus", which will carry lead concentrates and forest products from Canada to Japan. The building of two 65,000 ton tankers for this subsidiary is proceeding on schedule.



Coastal steamship earnings were higher than in 1964. The "Princess Patricia", upon completing her regular Alaska run underwent modification to fit her for service in southern waters. In December she entered cruise service between Los Angeles and Acapulco, Mexico, under the terms of a five-year charter agreement for off-season use.

At the close of the 1965 summer season it was announced that the Company's 80-year-old Great Lakes passenger service would be discontinued. The two ships in this service were constructed in 1907 and the costs of rebuilding to bring them within the regulations governing passenger ships on inland waters were prohibitively high. One vessel will continue in freight service on the Great Lakes.

## Hotels

Operation of hotels owned by the Railway Company resulted in a loss of \$76,000, compared with a profit of \$1.8 million in 1964. The results for 1965 exclude earnings of \$1.1 million from the Royal York Hotel and the Empress Hotel, which were sold to Canadian Pacific Hotels Limited on January 1 and July 1, respectively. Continued competition during the year from newer hotels adversely affected the earnings of the Royal Alexandra Hotel, Hotel Palliser and Hotel Saskatchewan.

Collective labour agreements were opened for revision during the year at the majority of your hotels. New contracts have been signed with the unions representing the employees at the Hotel Saskatchewan, the Hotel Palliser and the Banff Springs Hotel. In spite of every effort by management to prevent an interruption of operations, the employees of the Chateau Frontenac called a strike against your Company in September, which closed the hotel for a period of almost two months. The settlement finally reached provides for a three-year contract.

Renovations to your hotels in 1965 included completion of a program to air-condition and refurnish guest accommodation at the Hotel Saskatchewan and modernization of guest accommodation at the Hotel Palliser and the Chateau Frontenac. A 450-space parking garage was placed in service at the Chateau Frontenac in the early part of the year.

The Digby Pines Hotel was sold to the Province of Nova Scotia in 1965, and an agreement has been signed for the sale during 1966 of the Royal Alexandra Hotel. In accordance with the plans for reorganizing your hotel chain, the Chateau Frontenac and the Hotel Saskatchewan were sold to Canadian Pacific Hotels Limited on January 1, 1966.

## Telecommunications

Net earnings from telecommunication services amounted to \$2.8 million in 1965, an increase of \$749,000 over the previous year. The continued high rate of growth of "Telex" service was the principal factor accounting for improved gross revenues. The downward trend of revenue from telegraph message traffic was reversed during the year, owing to the effects of the postal strike and a surcharge of 10¢ per message on intra-Canadian traffic effective October 1. Higher wage costs and depreciation charges accounted for the major share of the increase in expenses.

The addition of telephone, teletype and other general communication circuits to the micro-wave system between Montreal and Moncton, and construction of a new system between Toronto and Buffalo for interconnection with Western Union were completed during the year. The necessary modifications and changes to the micro-wave systems between Toronto and Windsor and Montreal and Moncton, owned jointly with the Canadian National, are being made to enable colour television network transmission by the Canadian Broadcasting Corporation by October 1, 1966.

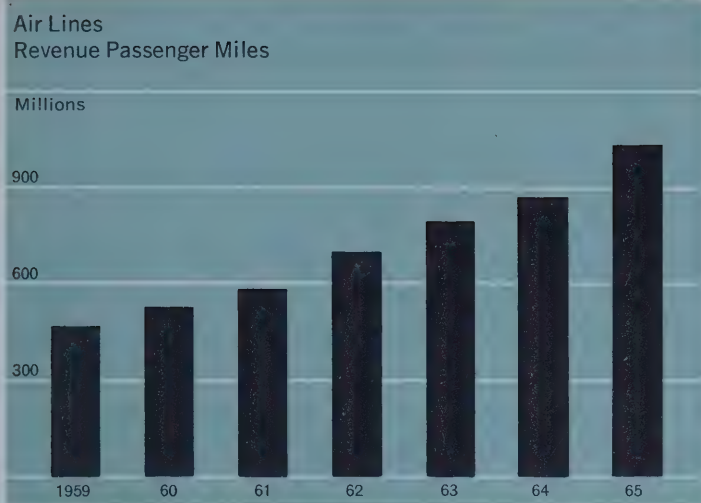
A study of telecommunication requirements of Canada's defence forces which is expected to take two years was begun by your Company and Canadian National as joint consultants under contract to the Government of Canada.

## Dividend and Interest Income

Income derived from dividends, excluding those received from Canadian Pacific Investments Limited, amounted to \$3.3 million, a decrease of \$766,000. Of the decrease, \$523,000 represented the sum of dividends declared in 1964 by Midland Simcoe Elevator Company, Limited, and The New Brunswick Cold Storage Company, Limited, prior to the sale of the shares to Canadian Pacific Investments Limited and Marathon Realty Company Limited, respectively. The balance of the reduction was in dividends from the Soo Line Railroad Company and The Toronto, Hamilton and Buffalo Railway Company. Interest earned on temporary cash investments, funds in banks, mortgage bonds and other investments, totalled \$3.7 million, down \$1.3 million from 1964.

The results of Northern Alberta Railways Company, operated jointly with Canadian National, were not as favorable as in 1964. Interest income on your holdings of mortgage bonds of this company amounted to \$183,000, compared with \$575,000 in the previous year.





### Canadian Pacific Air Lines, Limited

Your Air Lines earned a net profit of \$7.2 million in 1965 after payment of interest of \$2.0 million to the parent Company. This profit is reflected in the accounts of your Company in net income from separately operated properties. In 1964 the profit amounted to \$4.8 million, after payment of interest of \$2.3 million. The improvement of \$2.1 million is attributable mainly to a substantial increase in traffic volume and the availability of a sixth DC-8 aircraft in the last quarter of the year.

In 1965 operating expenses amounted to 88.1% of operating revenues, compared with 90.5% in the previous year. Operating revenues were up 17%. The only significant change in tariffs resulted from the equalization of transcontinental passenger fares with those of Air Canada, effective April 25. Increased revenues were recorded on all routes except the service between Eastern Canada and Mexico City, on which revenues are pooled with Aeronaves de Mexico. As a result of the operation of more aircraft mileage than in the previous year and additional passenger service and sales expenses associated with increased traffic volume, operating expenses increased by 14% over the 1964 level.

The frequency of flights on the Polar route was increased during the summer season from three to four per week. On the Orient route between Vancouver and Tokyo there was an increase from three to four flights weekly beginning in April; service between Tokyo and Hong Kong was maintained at three flights per week. North Atlantic service between Eastern Canada and Europe was increased to five flights per week for the summer season. A new service linking Eastern Canada and Amsterdam, and continuing on to Rome, was inaugurated in November with two flights per week; as a result, the frequency of North Atlantic flights was established at five during the winter season. Eight flights per week are being operated on the service to Hawaii for the 1965-66 winter season. As a result of a ruling by the New Zealand Government, service to that country was reduced from once a week to once every two weeks effective December 15.

All but the domestic services in British Columbia and Alberta are now operated with DC-8 jet aircraft. Two Britannia aircraft were disposed of during 1965 and the remaining three were sold early in 1966. It is regretted that a DC-6B was lost in an accident resulting from an explosion aboard the aircraft, in the vicinity of 100 Mile House, B.C., in July and a Super DC-8 jet was lost in an accident at Tokyo on March 4, 1966. Another DC-8 aircraft on order will be delivered in May 1966. An order has been placed for three larger DC-8 aircraft, each with passenger capacity approximating 200 compared with the

present 140. The new aircraft, designated as DC-8-63 series, are to be delivered in 1967. An option was taken on a fourth unit for delivery early in 1968. The DC-8 flight simulator was received and is now in operation.

A revised bilateral agreement between the Governments of the United States and Canada has been negotiated. It is expected that your Air Lines will be permitted to operate some of the new routes made available to Canadian carriers.

### Soo Line Railroad Company

Income amounting to \$3.0 million was received from the Soo Line Railroad Company, in which your Company has the controlling interest. This was \$189,000 less than the amount received in 1964, attributable to reduced dividends. Of the total income, \$2.1 million represented dividends on your Company's holdings of common stock and \$910,000 was interest on your investment in bonds of predecessor companies of the Soo Line.

The Soo Line reported net income of \$5.6 million for 1965, an increase of \$1.2 million. A substantial increase in freight revenues, generated by a greater volume of business, was more than sufficient to absorb increased wage costs and to offset declines in revenue from passenger, mail and express services.

### Highway Transport

During 1965 your subsidiary Smith Transport Limited continued to modernize its power and trailer fleet with the purchase of 84 highway trailers, 18 highway tractors, 55 city tractors and 35 sets of swap bodies. A new trailer maintenance facility was opened in Toronto.

Your subsidiary Canadian Pacific Transport Company, Limited, acquired the operations of F. W. Loucks Trucking Services, providing rights to operate to northern British Columbia and the Yukon and to haul heavy goods and bulk traffic throughout most of the developed area of British Columbia.

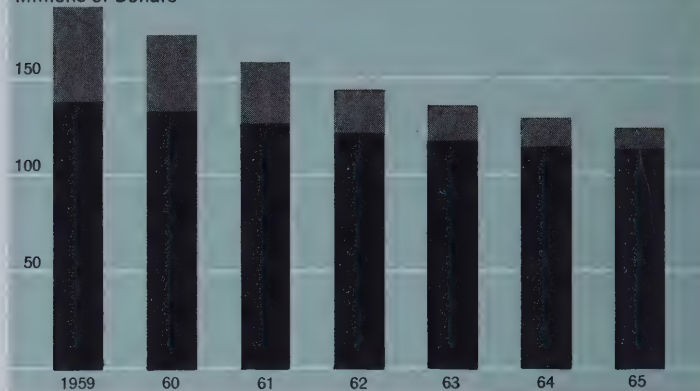


# Corporate and Financial

Funded Debt

■ Bonds and Notes ■ Equipment Obligations

Millions of Dollars



## Fixed Charges

Fixed charges amounted to \$16.3 million, up \$160,000 from 1964. Higher interest charges on unfunded debt were in part offset by reductions in amortization of discount on funded debt, and in interest on funded debt as a consequence of the discharge of equipment trust certificates and the purchase and cancellation of collateral trust bonds.

## Dividends Declared

Dividends declared on Preference Stock, in respect of 1965 earnings, were at the same rates as those declared for 1964. A dividend of 2% was paid August 2, 1965 and a further dividend of 2% was paid February 1, 1966.

Dividends declared on Ordinary Stock amounted to \$2.65 per share, of which \$1.25 was paid on August 2, 1965 and \$1.40 on February 7, 1966. Included in these dividends on the Ordinary Stock were amounts of 50¢ per share and 90¢ per share, respectively, which flowed through from your wholly-owned subsidiary Canadian Pacific Investments Limited.

## Finance

Serial equipment obligations amounting to \$3,668,000 were discharged in 1965.

Convertible Seventeen Year 4% Collateral Trust Bonds in the amount of \$51,000, Convertible Fifteen Year 3½% Collateral Trust Bonds in the amount of \$100,000 and Eighteen Year 3¾% Collateral Trust Bonds in the amount of \$662,000 were purchased and cancelled.

The foregoing transactions resulted in a decrease of \$4,481,000 in Funded Debt, and a decrease of \$975,600 in the amount of Consolidated Debenture Stock pledged as collateral.

As of January 6, 1966, Continental Illinois National Bank and Trust Company of Chicago, as Trustee, entered into an agreement whereby \$25,020,000 principal amount of Equipment Trust Certificates was issued, guaranteed as to principal and interest by your Company. This issue, designated as Series "P", maturing in equal annual instalments from January 6, 1967 to January 6, 1981, inclusive, is payable in United States currency, and bears interest at 5% per annum. Under this arrangement, equipment already constructed, or to be constructed, at an estimated cost of \$33,823,480 in Canadian Funds is leased to your Company at a rental equal to the instalments of principal of and interest on the Equipment Trust Certificates.

## Land Transactions

Net proceeds from sales of lands included in Retained Income amounted to \$2.0 million. Included were gross sales totalling \$1.5 million for 10,702 acres of timberlands to Pacific Logging Company Limited.

## Balance Sheet

A change has been made in the presentation of Current Assets on the Balance Sheet. Temporary Cash Investments, formerly shown separately, are now combined with Cash.

During the year your Company's holdings of the capital stock of Quebec Central Transportation Company were sold to Provincial Transport Company.

Additional shares of capital stock of Canadian Pacific (Bermuda) Limited, amounting to \$4.7 million, were purchased, bringing the total investment in that company to \$6.0 million.

Working capital, at \$24.7 million, decreased \$15.9 million. Details of additions and deductions are set out in a schedule on page 33.

The net additions to Properties during the year were \$17.0 million. Particulars of expenditures and retirements are contained in a supporting schedule on page 33.

## Capital Appropriations

Capital appropriations amounting to \$29.7 million, in addition to those forecast in the last Annual Report, were authorized.

These included \$1.4 million for shops and enginehouses, \$2.9 million for new trackage, \$2.5 million for other road facilities, \$6.6 million for locomotives, \$4.3 million for freight cars, \$1.1 million for steamships, \$0.9 million for telecommunications, and \$9.7 million for aircraft.

The capital appropriations anticipated by your Company for 1966 are set out in a schedule on page 48.

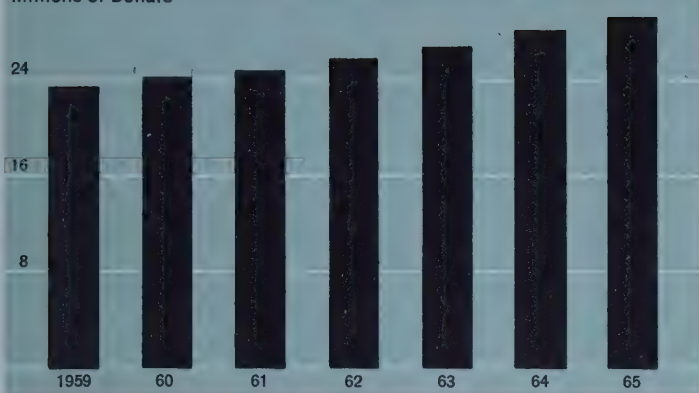
## Integrated Data Processing

Your Company continues in the forefront in the development of advanced systems of data processing for management use. During 1965, the processing capacity of the present computer was reached and a three-stage program was authorized. The first stage was begun at the end of the year with delivery of an IBM System 360 Model 40G computer. This provides increased processing capacity and will permit implementation of new projects. The second stage, scheduled for the Fall of 1966, involves a second System 360 computer and improved equipment in field offices that will produce further automation of data handling. The third stage, to be reached by the end of



## Pension Expenses

Millions of Dollars



1967, calls for a third System 360 computer to work in concert with the new system established in stage two. Upon completion of this staging, your Company will have effected change-over to an on-line system and will have the main elements of the physical base required for an immediate, or "real-time", operating information system.

### Pensions and Other Benefits

The Canada Pension Plan and the Quebec Pension Plan became effective on January 1, 1966. These plans call for contributions from the Company at the rate of 1.8% of annual earnings between \$600 and maximum pensionable earnings, now \$5,000, of employees in Canada.

To co-ordinate the Company pension plan with these Government plans, changes were made in the Company plan effective January 1, 1966 which provide for a reduction in employee contributions in respect of annual earnings up to maximum pensionable earnings and for a proportionate reduction in pension benefits. Contributions and benefits in respect of annual earnings in excess of maximum pensionable earnings remain unchanged. All pension benefits accrued prior to 1966 are fully preserved. In addition, employees have been given the right to elect to withdraw from the plan and membership in the plan is not now a condition of employment. In the case of employees who elect to withdraw, contributions made to December 31, 1965 remain in the Pension Trust Fund.

Under the Government and the Company plans combined pension cost to employees has been reduced and the level of benefits has been increased. The Company's total outlay for pensions in 1966 will be increased.

Pension expenses of your Company for 1965 amounted to \$29.2 million, an increase of \$1.2 million, or 4%. This amount included the portion of pension allowances currently being borne by the Company, levies in respect of employees covered by the United States Railroad Retirement Act, and contributions of \$7.5 million to the Pension Trust Fund. The portion of such contributions not subject to current withdrawal had accumulated, with interest, to \$121.3 million at the end of the year and will enable the fund to bear a larger share of the cost of future pension benefits.

The number of pensions granted during the year was 1,645 while 1,277 pensions were terminated by death and other causes. At December 31 there were 20,234 on the pension payroll.

Payments made by your Company in respect of health and welfare benefit plans, the job security fund and unemployment insurance amounted to \$6.8 million.

# Canadian Pacific Investments Limited

The Income Account, Balance Sheet and details of the investments of Canadian Pacific Investments Limited are shown on pages 24 to 27 of this Report.

Net income of this company amounted to \$25.6 million, an increase of \$6.4 million over 1964. Dividends declared amounted to \$20.1 million, compared with \$14.3 million in the previous year.

Dividend income from wholly-owned and controlled companies amounted to \$20.4 million, an increase of \$3.5 million over 1964. The principal amounts were: \$15.4 million from The Consolidated Mining and Smelting Company of Canada Limited; \$3.3 million from Canadian Pacific Oil and Gas Limited; \$1.0 million from Pacific Logging Company Limited; \$300,000 from Marathon Realty Company Limited; and \$300,000 from Canadian Pacific Hotels Limited. Dividend and interest income from the investment portfolio amounted to \$6.0 million, an increase of \$2.7 million.

Capital stock amounting to \$24.3 million was issued during 1965 to provide funds for the purchase of additional securities of controlled companies. At the year end the total stock of Canadian Pacific Investments Limited outstanding and in the hands of your Company was \$303.5 million.

### Canadian Pacific Oil and Gas Limited

This subsidiary completed another year of successful operation and was one of the leaders in drilling activity in Western Canada during 1965.

Net earnings amounted to \$7.0 million, compared with \$6.7 million in the previous year. Dividends declared during the year amounted to \$3.3 million, compared with \$2.5 million in 1964.

Revenue from the sale of gas, oil and other petroleum products amounted to \$5.8 million, an increase of \$1.7 million. Of the total revenue, \$3.2 million was from the sale of 20.5 billion cubic feet of gas, and \$2.6 million from the sale of 1.5 million barrels of oil and natural gas liquids. The daily production of gas during 1965 averaged 56.1 million cubic feet, compared with 49.2 million cubic feet in the previous year. Oil production, including natural gas liquids, averaged 4,000 barrels daily, compared with 2,500 barrels in 1964.

Royalties received on the production of minerals from rights leased to other operators amounted to \$7.7 million, an increase of \$178,000. Of this increase, \$85,000 related to potash, \$73,000 to oil and gas and \$20,000 to other minerals and plant products.

Lease rental revenue increased to \$1.2 million from \$1.1 million in the previous year.



Dividend income in 1965 amounted to \$262,000, almost entirely attributable to the company's holdings of 1,696,754 shares of Central-Del Rio Oils Limited stock.

The major effort of the company in 1965 was directed towards the exploration and development of oil reserves in the Taber, Wintering Hills and Gilby areas in Alberta, and at Handsworth in southeast Saskatchewan. During the year 157 wholly-owned wells were drilled, of which 83 were completed as oil wells and 19 as gas wells — a success ratio of 65%, compared with approximately 50% in 1964. In addition, this subsidiary participated with others in the successful drilling of 33 oil wells and 7 gas wells. At the end of the year, the number of net wells owned which were producing or capable of production consisted of 207.4 oil wells and 189.9 gas wells.

In support of the drilling program in southeast Saskatchewan, a substantial acreage of mineral rights was acquired through freehold leases and access to Crown rights was secured in the form of leases and drilling reservations.

Interest in this subsidiary's large reserves of potash increased during the year, concurrent with the expanding production of that mineral in the Province of Saskatchewan. Studies are in progress in connection with the use of near-surface coal for economical generation of thermal power.

Results of the first year's operation of Bow River Pipe Lines Limited, in which Canadian Pacific Oil and Gas holds a 50% interest, were most satisfactory. During the year additional gathering lines were constructed to connect new oil fields with the main pipeline to Hardisty. At year end, throughput was in excess of 10,000 barrels daily.

Canadian Pacific Oil and Gas of Canada Limited, the wholly-owned subsidiary formed in 1964 in the United Kingdom, participated with two other companies in a geophysical program covering 900 line miles in the British off-shore area of the North Sea and the results are now being evaluated.

#### **Pacific Logging Company Limited**

The net income of this company for the year was \$1.4 million, compared with \$1.7 million in 1964. A decrease in profits from timberland sales largely accounted for the lower net.

Total production of logs on Vancouver Island and in the Kootenay region of the mainland of British Columbia increased over the previous year. A total of 124 miles of logging roads and 16 bridges were constructed during the year to provide for present and future requirements of logging operations.

The company's new sawmill at Slocan, B.C. produced 36 million board feet of lumber in its first year of operation and by year end was working a double shift at near capacity.

On Vancouver Island 1.5 million seedlings were planted on 4,400 acres of lands previously logged and 2,800 acres of second growth lands were fertilized by aircraft. A seed production area was fertilized in co-operation with the British Columbia Forest Service and a seed orchard established to provide immediate and permanent sources of tree seed.

#### **Marathon Realty Company Limited**

The year was one of growing activity for this subsidiary in many areas across Canada.

Active marketing of areas in smaller communities has resulted in the construction and leasing of commercial buildings at Trail, B.C. and Taber, Alberta, and several others are under negotiation, including a project at Nanaimo, B.C. A major development in Calgary is under way with a large office building nearing completion and further significant developments planned. Studies of downtown properties in several other cities are continuing and the outlook for profitable commercial development is attractive.

The office building in Montreal in which this company has an interest and which is part of the "Place du Canada" complex is under construction and a promotional campaign is under way to interest prospective tenants in leasing space.

Late in the year a 220 acre parcel of land was acquired for a major industrial park in Edmonton. The installation of utilities, subdivision of the land and marketing of the area will begin in 1966. Development of other industrial parks in Calgary and Montreal progressed favourably during the year.

The implementation of new policies with regard to the company's agricultural lands has resulted in a substantial increase in the yield from these properties.

Net income for the year amounted to \$762,000 compared with \$531,000 in 1964.

As a further step towards consolidating your Company's real estate activities, the responsibility for the management and development of all your non-transportation properties was assumed by this subsidiary on September 1. Administration of lands and buildings required for transportation services remains under the direct control of the Railway Company.

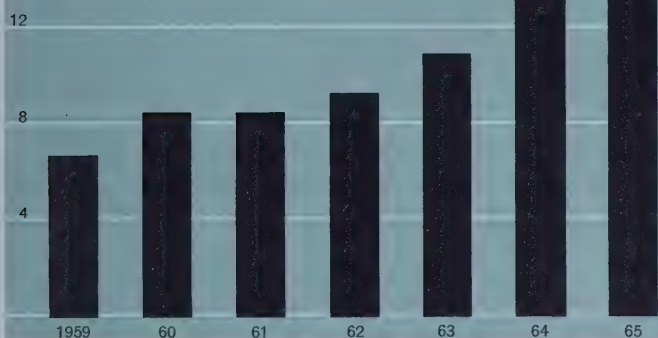
#### **Canadian Pacific Hotels Limited**

Purchases of capital stock of this company totalling \$20.6 million were made by Canadian Pacific Investments Limited. The aggregate stock investment at the end of the year was \$21.5 million.



## Cominco Dividends received by Canadian Pacific

Millions of Dollars



The operations of this subsidiary were greatly expanded in 1965 with the purchase from the Railway Company of the Royal York Hotel and the Empress Hotel, and the company reported net income of \$518,000.

Construction of the new hotel at Montreal, Le Château Champlain, is progressing satisfactorily. It is expected to be completed before the end of 1966. The Chateau Lacombe at Edmonton, which will be managed by this subsidiary, is also scheduled to be in operation by year end.

The year marked the company's entry into the catering field with the opening of the restaurant and lounge facilities at the top of the 520-foot Skylon tower at Niagara Falls. The company also acquired from the Railway Company during 1965 the restaurant and lounge operations and airline catering service at Windsor Station in Montreal.

Business handled by the Reserve-A-Room service continued to increase during the year and additional offices were established in major cities in Canada, the United States and the United Kingdom.

Two new collective labour agreements were signed, one in the latter part of the year covering employees of the Empress Hotel at Victoria and the other in the early part of 1966 covering employees of the Royal York Hotel at Toronto.

Following an appraisal of the two operations, the management contracts with the Ascot 27 Motor Hotel at Toronto and the Timberline Hotel at Banff were terminated.

### Canadian Pacific Securities Limited

This subsidiary was incorporated October 21, for the purpose of raising capital funds which will be made available primarily to subsidiaries of Canadian Pacific Investments Limited.

### The Consolidated Mining and Smelting Company of Canada Limited

Net profit of this company, after consolidation of its accounts with those of its wholly-owned subsidiaries and of Pine Point Mines Limited amounted to \$53.0 million, or \$3.18 per share, after providing \$22.8 million for income and mining taxes, \$14.7 million for depreciation of plants and depletion and \$4.1 million for the minority interest in the net earnings of Pine Point. The comparable earnings in 1964 were \$39.6 million, or \$2.37 per share. Dividends were declared at a rate of \$1.80 per share compared with \$1.60 per share in the previous year.

Construction of the concentration plant at the zinc-lead property of Pine Point Mines Limited was completed late in the

year and shipments of lead and zinc concentrates commenced in December. Following successful test shipments of high grade ore from the property in the latter part of 1964, 364,000 tons of direct shipping ore were shipped during the year to Trail, Kimberley and Kellogg, Idaho. Cominco continues to act as manager and agent for this subsidiary in which it has a 78% interest.

During the year construction of new chemical and fertilizer plants and additions to existing fertilizer plants were completed at Trail, Kimberley, Calgary and Regina. At the company's potash property near Saskatoon the contract was awarded for sinking two shafts. At the year end rings of holes were nearly completed to permit freezing of the unstable ground. Initial production should start late in 1969.

Construction of the Homestead ammonium nitrate plant in Nebraska, owned by Cominco American Incorporated, was nearly complete by the end of the year and it is anticipated that production will commence early in 1966. Development of the lead mine and preliminary construction of the concentrating plant near Bixby, Missouri, which is jointly owned by Cominco American Incorporated and Magnet Cove Barium Corporation, is proceeding according to plan.

It is expected that the zinc and sulphuric acid plants in south-west India being constructed on behalf of Cominco Binani Zinc Limited, in which Cominco has a 40% interest, and the lead smelter being constructed in Japan by Mitsubishi Cominco Smelting Company Limited, in which Cominco owns a 45% interest, will commence production during 1966.

In November Cominco acquired 50% ownership of The Canada Metal Company Limited from National Lead Company of New York. The Canada Metal Company Limited is a leading Canadian producer of lead oxides, refiner of secondary metals and fabricator of non-ferrous metal products. Its plants are located in Toronto, Scarborough, Montreal, Winnipeg, Calgary and Vancouver.

### Investment Portfolio

Details of the investments of Canadian Pacific Investments Limited at December 31, 1965, with comparative data for 1964, are set out on pages 26-27. Exclusive of wholly-owned and controlled companies, the investment in stocks and bonds amounted to \$190.5 million at the year end. The market value of this investment was approximately \$192 million.



# Corporate – General

## Stock Holdings

The holdings of the Capital Stock and voting rights at December 31, 1965, were as follows:

	Ordinary		Preference		Total Voting Rights
	No. of Holdings*	Voting Rights	No. of Holdings*	Voting Rights	
Canada	40,526	52.26%	5,841	61.84%	54.97%
United Kingdom and other British	3,055	15.42	12,899	36.27	21.31
United States	18,330	23.75	74	.44	17.16
Other Countries	1,242	8.57	422	1.45	6.56
	<u>63,153</u>	<u>100.00%</u>	<u>19,236</u>	<u>100.00%</u>	<u>100.00%</u>

\* Includes only registered holders.

## Directorate

Your Directors record with profound sorrow the death in March, 1966 of Mr. Robert A. Emerson, President and Chief Operating Officer of the Company. Mr. Emerson first entered Canadian Pacific service in 1928 in temporary summer work, and in 1935 began permanent employment. Thereafter, for almost thirty-one years he served the Company with loyalty and distinction. After occupying successively higher positions in the Operating Department of the Railway from those of junior grade to that of Vice-President of Operation and Maintenance in 1955, he was appointed a Director, elected Vice-President of the Company and a Member of the Executive Committee of the Board in 1958. In 1964 he was elected President, appointed Chief Operating Officer, and continued as a Director and Member of the Executive Committee.

Effective December 31, 1965, Messrs. L. J. Belnap, R. S. McLaughlin and H. E. Sellers retired from the Board. The

Directors desire to record their warm appreciation for the notable contribution to the affairs of the Company that has been made by these retiring members during the long period of their association with the Board.

Mr. James A. Richardson and Mr. Norman E. Whitmore were appointed Directors to succeed Messrs. Belnap and McLaughlin, respectively.

The under-mentioned Directors will retire from office at the forthcoming Annual Meeting. They are eligible for re-election.

Sir George Bolton, K.C.M.G.

Mr. C. F. H. Carson, Q.C.

The Honourable J. V. Clyne

Mr. James A. Richardson

Mr. Lucien G. Rolland

Mr. H. G. Welsford, M.B.E.

For the Directors,



Chairman and Chief Executive Officer

Montreal, March 16, 1966



**Canadian Pacific Railway Company**  
**Income and Retained Income Accounts**

<b>Income Account</b>	<b>1965</b>	<b>1964</b>
<b>Income from Railway and Miscellaneous Sources:</b>		
Railway Revenues (Page 29)	<b>\$518,035,410</b>	\$510,144,989
Railway Expenses (Page 29)	<b>477,795,703</b>	466,680,334
Net Railway Earnings	<b>\$ 40,239,707</b>	\$ 43,464,655
Other Income (Page 30)	<b>17,580,169</b>	16,789,532
	<b>\$ 57,819,876</b>	\$ 60,254,187
Fixed Charges (Page 30)	<b>16,344,375</b>	16,184,235
Net Income from Railway and Miscellaneous Sources*	<b>\$ 41,475,501</b>	\$ 44,069,952
Dividends therefrom:		
Preference Stock—4%	<b>\$ 3,401,339</b>	\$ 3,390,058
Ordinary Stock—1965 - \$1.25 per share		
1964 - \$1.50 per share	<b>17,915,570</b>	21,498,684
	<b>\$ 21,316,909</b>	\$ 24,888,742
Balance transferred to Retained Income Account	<b>\$ 20,158,592</b>	\$ 19,181,210
<b>Income from Canadian Pacific Investments Limited:</b>		
Net Income (being dividends received from Canadian Pacific Investments Limited – Page 24)	<b>\$ 20,065,438</b>	\$ 14,332,456
Dividends therefrom:		
Ordinary Stock—1965 - \$1.40 per share		
1964 - \$1.00 per share	<b>\$ 20,065,438</b>	\$ 14,332,456
<b>Retained Income Account</b>		
Retained Income (Balance) January 1	<b>\$681,988,499</b>	\$597,929,962
Balance of Income Account for the year ended December 31	<b>\$ 20,158,592</b>	\$ 19,181,210
Net Proceeds from Sales of Lands, Townsites and other Properties	<b>2,539,279</b>	64,184,313
Miscellaneous (Net)	<b>449,205</b>	693,014
	<b>\$ 23,147,076</b>	\$ 84,058,537
Retained Income (Balance) December 31, as per Balance Sheet	<b>\$705,135,575</b>	\$681,988,499

\* Excluding dividends received from Canadian Pacific Investments Limited.



# Canadian Pacific Railway Company

<b>Assets</b>	<b>1965</b>	<b>1964</b>
<b>Current Assets:</b>		
Cash and Temporary Investments	\$ 44,372,429	\$ 54,905,092
Special Deposits	585,833	5,127,079
Agents' and Conductors' Balances	40,979,449	34,749,103
Other Accounts Receivable	38,952,596	32,151,594
Material and Supplies	34,394,589	32,006,303
	<u>\$ 159,284,896</u>	<u>\$ 158,939,171</u>
<b>Insurance Fund</b>	<u>\$ 14,170,838</u>	<u>\$ 14,030,585</u>
<b>Deferred Debits:</b>		
Unadjusted Charges and Other Assets	\$ 12,858,825	\$ 8,506,831
Unamortized Discount on Funded Debt	1,672,694	1,903,519
	<u>\$ 14,531,519</u>	<u>\$ 10,410,350</u>
<b>Investments:</b>		
Canadian Pacific Investments Limited	\$ 303,531,160	\$ 279,270,160
Other Controlled Companies	119,967,711	120,760,762
Other Investments	45,626,619	46,443,814
	<u>\$ 469,125,490</u>	<u>\$ 446,474,736</u>
<b>Properties:</b>		
Railway	\$2,160,235,248	\$2,106,287,655
Telecommunications	104,850,165	98,514,559
Hotels	42,337,490	80,969,688
Steamships	62,748,985	61,865,575
Aircraft	54,463,025	57,811,931
Other Properties	12,782,125	14,950,194
	<u>\$2,437,417,038</u>	<u>\$2,420,399,602</u>
Less: Provision for Depreciation	<u>1,070,721,222</u>	<u>1,061,885,837</u>
	<u>\$1,366,695,816</u>	<u>\$1,358,513,765</u>
	<u><u>\$2,023,808,559</u></u>	<u><u>\$1,988,368,607</u></u>



# Balance Sheet, December 31

Liabilities	1965	1964
<b>Current Liabilities:</b>		
Accounts Payable and Wages Accrued	\$ 85,764,176	\$ 60,014,547
Taxes Accrued	6,507,812	17,730,016
Dividends Declared	22,273,560	23,674,958
Other Current Liabilities	20,070,776	16,926,192
	<u>\$ 134,616,324</u>	<u>\$ 118,345,713</u>
<b>Deferred Liabilities</b>	<u>\$ 4,753,354</u>	<u>\$ 6,560,343</u>
<b>Deferred Credits and Reserves:</b>		
Deferred Credits	\$ 6,208,717	\$ 3,341,358
Tax Equalization Reserve	118,800,000	113,100,000
Insurance Reserve	14,170,838	14,030,585
Investment Reserves	8,776,729	15,377,447
	<u>\$ 147,956,284</u>	<u>\$ 145,849,390</u>
<b>Funded Debt</b>	<u>\$ 124,731,500</u>	<u>\$ 129,212,500</u>
<b>Debenture Stock</b>	<u>\$ 292,548,888</u>	<u>\$ 292,548,888</u>
<b>Shareholders' Equity:</b>		
Preference Stock	\$ 137,256,921	\$ 137,256,921
Ordinary Stock	358,311,400	358,311,400
Premium on Stock	38,528,724	38,528,724
Donations and Grants	79,969,589	79,766,229
Retained Income (Balance)	705,135,575	681,988,499
	<u>\$1,319,202,209</u>	<u>\$1,295,851,773</u>
	<u><u>\$2,023,808,559</u></u>	<u><u>\$1,988,368,607</u></u>



**Canadian Pacific Investments Limited**  
**Income and Retained Income Accounts**

<b>Income Account</b>	<b>1965</b>	<b>1964</b>
<b>Revenues</b>		
<i>Dividends:</i>		
Subsidiary Companies		
Wholly-Owned		
Canadian Pacific Hotels Limited	\$ 300,000	\$ —
Canadian Pacific Oil and Gas Limited	3,255,289	2,500,000
Marathon Realty Company Limited	300,000	200,000
Pacific Logging Company Limited	1,000,000	519,397
Controlled		
The Consolidated Mining and Smelting Company of Canada Limited	15,435,422	13,644,661
Other	129,117	37,505
Other Companies	4,700,996	1,578,021
	<u>\$ 25,120,824</u>	<u>\$ 18,479,584</u>
<i>Interest:</i>		
Subsidiary Company Wholly-Owned	\$ 89,562	\$ 38,876
Other Investments	1,332,792	1,789,740
	<u>\$ 1,422,354</u>	<u>\$ 1,828,616</u>
	<u>\$ 26,543,178</u>	<u>\$ 20,308,200</u>
<b>Expenses</b>	<u>196,209</u>	<u>132,001</u>
<i>Net Income before Income Taxes</i>	<u>\$ 26,346,969</u>	<u>\$ 20,176,199</u>
<i>Provision for Income Taxes</i>	<u>744,000</u>	<u>947,068</u>
<b>Net Income</b>	<u><u>\$ 25,602,969</u></u>	<u><u>\$ 19,229,131</u></u>

**Retained Income Account**

<i>Balance at January 1</i>	<u>\$ 5,727,425</u>	<u>\$ 583,527</u>
<i>Add: Net Income for the year ended December 31</i>	<u>\$ 25,602,969</u>	<u>\$ 19,229,131</u>
Net Gain on Sale of Securities	832,245	247,223
	<u>\$ 26,435,214</u>	<u>\$ 19,476,354</u>
	<u>\$ 32,162,639</u>	<u>\$ 20,059,881</u>
<i>Less: Dividend</i>	<u>20,065,438</u>	<u>14,332,456</u>
<i>Balance at December 31</i>	<u><u>\$ 12,097,201</u></u>	<u><u>\$ 5,727,425</u></u>



**Canadian Pacific Investments Limited**  
**Balance Sheet, December 31**

<b>Assets</b>	<b>1965</b>	<b>1964</b>
<b>Current Assets:</b>		
Cash and Temporary Investments	\$ 57,595	\$ 10,617,242
Accrued Interest and Dividends Receivable		
Subsidiary Companies	10,199,240	8,840,082
Other	764,797	677,312
Accounts Receivable		
Subsidiary Company	1,300	10,300
Affiliated Company	71,765	—
Other	—	3,434
	<u>\$ 11,094,697</u>	<u>\$ 20,148,370</u>
<b>Deferred Debits</b>	<u>\$ 775</u>	<u>\$ 775</u>
<b>Investments, at cost:</b>		
Subsidiary Companies		
Wholly-Owned	\$102,054,658	\$ 72,393,651
Controlled	25,206,714	21,163,998
Other Investments	190,474,039	182,782,024
	<u>\$317,735,411</u>	<u>\$276,339,673</u>
	<u><u>\$328,830,883</u></u>	<u><u>\$296,488,818</u></u>
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Accounts Payable		
Affiliated Company	\$ 18,982	\$ 12,096
Other	—	1,000
Accrued Taxes	284,330	728,795
Dividend Declared	12,899,210	10,749,342
	<u>\$ 13,202,522</u>	<u>\$ 11,491,233</u>
<b>Shareholders' Equity:</b>		
Capital Stock—		
Authorized—40,000,000 Common		
Shares of No Par Value		
Issued—		
To December 31, 1964	27,927,016 shares	
During 1965	2,426,100 shares	
	<u>30,353,116 shares</u>	
	<u>\$303,531,160</u>	<u>\$279,270,160</u>
Retained Income (Balance)	<u>12,097,201</u>	<u>5,727,425</u>
	<u><u>\$315,628,361</u></u>	<u><u>\$284,997,585</u></u>
	<u><u>\$328,830,883</u></u>	<u><u>\$296,488,818</u></u>

**Notes to the  
Financial Statements**

(1) The Company being in its formative stages, unconsolidated accounts are presented.

(2) The Company's proportion of the aggregate net income of its subsidiaries for the year amounts to \$38,181,682. Of this amount, a total of \$20,419,828 is included in the accompanying statement of income.

(3) The Company's proportion of the aggregate undistributed net income of its subsidiaries, as at December 31, 1965, not taken into its accounts, amounts to \$135,130,407.

# Canadian Pacific Investments Limited

## Investments December 31

		1965		1964		1965
		Number of Shares	Cost	Number of Shares	Cost	Approximate Market Value
<b>Subsidiary Companies</b>						
<b>Wholly-owned</b>						
Canadian Pacific Hotels Limited	Common Stock—No Par Value	215,020	\$ 21,502,000	9,120	\$ 912,000	*
	Advance		5,400,000		—	
Canadian Pacific Oil and Gas Limited	Common Stock—No Par Value	32,328,906	32,328,906	32,328,906	32,328,906	*
Canadian Pacific Securities Limited	Common Stock—No Par Value	7	7	—	—	*
Marathon Realty Company Limited	Common Stock—No Par Value	1,533,288	15,332,880	1,318,288	13,182,880	*
Pacific Logging Company Limited	Common Stock—No Par Value	27,490,865	27,490,865	25,969,865	25,969,865	*
			<u>\$102,054,658</u>		<u>\$ 72,393,651</u>	
<b>Controlled</b>						
The Consolidated Mining and Smelting Company of Canada Limited	Common Stock—No Par Value	8,584,772	\$ 22,071,891	8,539,761	\$ 20,104,453	\$419,580,000
Pacific Coast Bulk Terminals Limited	Common Stock—Par Value \$1	610,526	963,003	265,000	265,000	*
	Cumulative Redeemable Preference Stock, 5¾%—Par Value \$100	13,765	1,377,275	—	—	*
West Kootenay Power and Light Company Limited	Cumulative Preferred Stock, 7%—Par Value \$100	3,515	402,545	3,515	402,545	\$ 457,000
Midland Simcoe Elevator Company, Limited	Common Stock—Par Value \$100	3,920	392,000	3,920	392,000	*
			<u>\$ 25,206,714</u>		<u>\$ 21,163,998</u>	
<b>Other Investments</b>						
<b>Stocks</b>						
<b>Preferred:</b>						
Aluminium Limited	Cumulative Redeemable Convertible Preferred, 4¼%—Par Value \$40	75,000	\$ 3,084,375	75,000	\$ 3,084,375	\$ 3,038,000
Canadian Power & Paper Securities Limited	Cumulative Redeemable Preferred \$1.30, Series "A"—Par Value \$25	25,000	600,000	25,000	600,000	556,000
Canborough Limited	Cumulative Redeemable Preferred, Series "A", 5¼%—Par Value \$100	12,500	1,250,000	12,500	1,250,000	1,194,000
	Cumulative Redeemable Preferred, Series "B", 5%—Par Value \$100	4,150	415,000	—	—	378,000
The Consumers' Gas Co.	Cumulative Redeemable, 5%—Par Value \$100	12,500	1,250,000	12,500	1,250,000	1,237,000
Great Britain & Canada Investment Corporation	Cumulative Redeemable Preferred, 5%—Par Value \$50	25,485	1,260,757	25,485	1,260,757	1,249,000
Northern and Central Gas Company Limited	Cumulative Redeemable First Preference \$2.60, 1965 Series—Par Value \$50	7,500	375,000	—	—	382,000
Power Corporation of Canada Limited	Cumulative Redeemable First Preference 4¾%, 1965 Series—Par Value \$50	13,000	617,500	—	—	608,000
Union Gas Co. of Canada, Ltd.	Cumulative Redeemable Preferred, Series "C", 5%—Par Value \$50	50,000	2,500,000	50,000	2,500,000	2,475,000
			2,596,175		1,137,425	2,539,000
<b>Other</b>						
<b>Common:</b>						
Canadian Delhi Oil Limited	Par Value 10¢	—	—	575,200	5,400,741	—
Central-Del Rio Oils Limited	No Par Value	1,578,310	13,588,669	1,178,335	9,549,394	17,756,000
The Great Lakes Paper Company Limited	No Par Value	137,310	3,625,203	137,310	3,625,203	3,021,000
The Huron & Erie Mortgage Corporation	Par Value \$2	528,260	6,953,456	90,420**	6,113,831	6,339,000
Husky Oil Canada Ltd.	Par Value \$1	448,600	4,881,996	310,000	3,173,109	6,056,000
The Investors Group	Class "A", Par Value 5¢	121,375	1,307,847	206,375	2,223,744	1,805,000
MacMillan, Bloedel and Powell River Limited	No Par Value	1,339,175	44,034,883	1,072,725	35,165,224	34,818,000
Montreal Trust Company	Par Value \$1	329,500	6,640,634	61,605**	6,145,668	6,919,000
Provincial Bank of Canada	Par Value \$10	116,230	6,235,360	116,230	6,235,360	5,927,000
Rio Algom Mines Limited	No Par Value	430,690	5,297,055	412,790	4,964,310	8,237,000
Texas Gulf Sulphur Company	No Par Value	60,100	3,680,179	22,000	1,281,748	5,887,000
Trans-Canada Pipe Lines Limited	Par Value \$1	1,060,000	41,658,364	389,442	14,594,244	40,677,000
Union Carbide Canada Limited	No Par Value	512,050	12,289,200	512,050	12,289,200	14,465,000
Other			1,089,148		1,039,147	1,279,000

\* Unquoted \*\* Prior to 5 for 1 stock split



		1965		1964		1965
		Principal Amount	Cost	Principal Amount	Cost	Approximate Market Value
<b>Bonds, Debentures and Notes</b>						
Bank of Nova Scotia	4¾% Term Note due 30/4/65	\$ —	\$ —	\$ 800,000	\$ 800,000	\$ —
Bell Telephone Company of Canada	First Mortgage, Series "F"—3¼% due 15/2/73	6,000,000	5,196,250	6,000,000	5,196,250	5,100,000
	Series "G"—3¾% " 1/6/75	350,000	294,875	350,000	294,875	287,000
	Series "I"—3½% " 1/5/76	600,000	507,000	600,000	507,000	492,000
British Columbia Electric Company Limited	First Mortgage, Series "A"—3¼% " 2/1/67	500,000	483,900	500,000	483,900	487,000
	Series "C"—3¾% " 1/4/68	950,000	910,213	800,000	766,438	907,000
	Series "D"—3¾% " 1/2/69	1,000,000	948,000	1,000,000	948,000	940,000
T. Eaton Realty Company Limited	First Mortgage—3½% due 15/3/68	2,000,000	1,908,250	2,000,000	1,908,250	1,910,000
Government of Canada	3½% Bonds due 1/7/65	—	—	4,000,000	3,990,000	—
	3½% " " 1/2/66	100,000	98,030	100,000	98,030	100,000
	3¾% " " 1/9/66	1,500,000	1,485,000	—	—	1,487,000
	2¾% " " 15/6/67-68	4,650,000	4,315,150	4,650,000	4,315,150	4,429,000
The Hydro-Electric Power Commission of Ontario	3% " " 15/1/68	250,000	237,813	250,000	237,813	239,000
	3% " " 1/11/69	500,000	458,137	1,550,000	1,420,225	461,000
	3% " " 1/4/70	525,000	473,812	525,000	473,812	480,000
Industrial Acceptance Corporation Limited	4½% Note due 15/1/65	—	—	5,000,000	5,000,000	—
C. Itoh & Company Limited	Convertible Unsecured Debentures— 6¼% due 31/3/84	U.S. 1,000,000	1,081,250	1,000,000	1,081,250	980,000
Town of Jacques Cartier (Gtd. by Prov. of Que.)	3½% Serial Bond, due 1/2/66	1,000,000	979,500	1,000,000	979,500	996,000
Montreal Catholic School Commission	3% Note due 1/2/65	—	—	1,500,000	1,498,650	—
Province of Manitoba	Debentures—3% due 15/9/68	1,000,000	939,125	1,000,000	939,125	940,000
Quebec Hydro-Electric Commission	2¾% Note due 1/2/65	—	—	10,000,000	9,992,110	—
	3% " " 2/7/65	—	—	5,000,000	4,975,295	—
	3% Bonds due 1/9/69	900,000	820,125	900,000	820,125	826,000
	3.563% Note due 4/1/66	450,000	449,781	—	—	450,000
RoyNat Limited	4½% " " 1/2/65	—	—	500,000	500,000	—
Simpson Sears Acceptance Company Limited	4½% " " 1/3/65	—	—	1,600,000	1,600,000	—
The Municipality of Metropolitan Toronto	3½% Debentures due 15/6/69	350,000	327,880	350,000	327,880	324,000
	3½% " " 1/12/69	200,000	186,100	200,000	186,100	183,000
	2⅞% Note due 1/2/65	—	—	3,000,000	2,997,510	—
	2.92% " " 1/3/65	—	—	1,500,000	1,497,584	—
	2.87% " " 15/2/65	—	—	800,000	799,030	—
Traders Finance Corporation Limited	4.625% Collateral Term Note due 19/5/65	—	—	1,000,000	953,877	—
City of Winnipeg	Sinking Fund Debentures— 2¾% due 1/12/67	100,000	94,680	100,000	94,680	95,000
	3¼% due 1/11/68	500,000	470,500	500,000	470,500	468,000
Other		2,778,000	2,577,867	3,950,000	3,745,585	2,563,000
			<u>\$190,474,039</u>		<u>\$182,782,024</u>	<u>\$191,986,000</u>

## **Contingent Liabilities**

### **Auditors' Report to the Shareholders**

#### **Contingent Liabilities**

At December 31, 1965, the Canadian Pacific Railway Company was contingently liable with respect to securities of the following companies:

*The Calgary and Edmonton Railway Company*—operated under lease by Canadian Pacific Railway Company. Guarantee and assumption of payment of principal £1,121,700 4% Consolidated Debenture Stock, terminable January 1, 2002, upon expiry of lease on January 1, 2002, or in alternative, renewal of lease.

Interest on the principal outstanding, excluding £112,973 held by Canadian Pacific Railway Company, is included as part of Rent for Leased Roads in Fixed Charges.

*Minneapolis, St. Paul & Sault Ste. Marie Railway Company*—predecessor of Minneapolis, St. Paul & Sault Ste. Marie Railroad Company now merged in Soo Line Railroad Company. Guarantee of interest payable in United States currency on principal of \$1,069,586 5½% First Refunding Mortgage Bonds, Series "B", dated to mature July 1, 1978.

#### **Auditors' Report to the Shareholders of Canadian Pacific Railway Company**

We have examined the Balance Sheet of Canadian Pacific Railway Company and that of Canadian Pacific Investments Limited as at December 31, 1965 and the related financial statements (as shown on pages 21 to 35 inclusive). Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. Dividends received by Canadian Pacific Railway Company from Canadian Pacific Investments Limited are reported separately from income from railway and miscellaneous sources and in accordance with Company policy are paid to shareholders of Canadian Pacific Railway Company by way of additional dividends.

In our opinion, with the foregoing explanation, the Balance Sheets and related financial statements referred to above present fairly the financial position of Canadian Pacific Railway Company and that of Canadian Pacific Investments Limited as at December 31, 1965 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co., Chartered Accountants.

Montreal, March 11, 1966



# Railway Revenues and Railway Expenses

<b>Railway Revenues</b>	<b>1965</b>	<b>1964</b>
Freight	<b>\$461,192,418</b>	\$449,174,898
Passenger	<b>23,946,514</b>	24,996,914
Sleeping, Dining, Parlour Car and News Service	<b>10,530,194</b>	11,694,057
Mail	<b>3,380,654</b>	5,059,415
Express	<b>4,034,151</b>	4,415,713
Miscellaneous	<b>14,951,479</b>	14,803,992
	<b><u>\$518,035,410</u></b>	<b><u>\$510,144,989</u></b>

<b>Railway Expenses</b>		
Road Maintenance	<b>\$ 81,443,125</b>	\$ 82,550,923
Equipment Maintenance	<b>107,266,166</b>	102,393,839
Traffic	<b>13,968,748</b>	12,901,623
Transportation—Railway Line	<b>185,417,703</b>	177,103,848
Miscellaneous Railway Operations	<b>8,061,549</b>	9,149,464
General	<b>41,957,367</b>	39,786,634
Operating Expenses	<b>\$438,114,658</b>	\$423,886,331
Equipment Rents (Net)	<b>Cr. 4,405,166</b>	Cr. 2,984,817
Joint Facility Rents (Net)	<b>1,598,493</b>	1,519,683
Railway Tax Accruals:		
Provision for Income Taxes (Note, page 30)	<b>29,700,000</b>	32,300,000
Other Railway Taxes	<b>12,787,718</b>	11,959,137
	<b><u>\$477,795,703</u></b>	<b><u>\$466,680,334</u></b>

## Other Income and Fixed Charges

Other Income	1965	1964
Net earnings from steamships	\$ 110,590	Dr.\$ 384,671
Net earnings from hotel, telecommunication and other properties	2,768,616	4,098,851
Dividends and interest	6,998,634	9,018,582
Net income from separately operated properties and miscellaneous sources	<u>11,437,329</u>	<u>9,716,770</u>
	\$21,315,169	\$22,449,532
Provision for income taxes (Note)	<u>3,735,000</u>	<u>5,660,000</u>
	<u>\$17,580,169</u>	<u>\$16,789,532</u>

Note:  
Income tax provisions are included in the accounts on the basis of depreciation accruals charged income while for tax payment purposes capital cost allowances are claimed. For the year there was a deferment of \$5.7 million taxes payable in respect of Railway and Other Income which liability has been added to the Tax Equalization Reserve.

## Fixed Charges

Interest on Debenture Stock and Funded Debt:		
Perpetual 4% Consolidated Debenture Stock	\$ 8,443,849	\$ 8,415,146
Equipment Trust Certificates	540,603	688,879
Collateral Trust Bonds	<u>4,788,651</u>	<u>4,854,320</u>
	<u>\$13,773,103</u>	<u>\$13,958,345</u>
Rent for Leased Roads:		
Ontario and Quebec Railway	\$ 698,257	\$ 709,691
Quebec Central Railway	249,126	251,608
Other	<u>676,439</u>	<u>620,975</u>
	<u>\$ 1,623,822</u>	<u>\$ 1,582,274</u>
Guaranteed Interest:		
Minneapolis, St. Paul & Sault Ste. Marie Railway Company Bonds	<u>\$ 19,468</u>	<u>\$ 17,288</u>
Interest on Unfunded Debt	<u>\$ 580,397</u>	<u>\$ 113,916</u>
Amortization of Discount on Funded Debt	<u>\$ 347,585</u>	<u>\$ 512,412</u>
	<u>\$16,344,375</u>	<u>\$16,184,235</u>



# Investments — Other Controlled Companies

	Rate	Par Value or Principal Amount
<b>Aroostook Valley Railroad Company</b>		
Capital Stock		\$ 257,400
<b>Canadian Pacific Air Lines, Limited</b>		
† Preference Stock	5%	9,750,000
† Ordinary Stock—No Par Value—2,600,000 shares	Cost	13,000,000
<b>Canadian Pacific (Bermuda) Limited</b>		
† Capital Stock—1,990,000 shares	Cost	5,968,268
<b>Canadian Pacific Express Company</b>		
† Capital Stock		4,250,000
<b>Canadian Pacific Steamships, Limited</b>		
† Capital Stock—244,586 shares	Cost	7,169,133
<b>Canadian Pacific Transport Company, Limited</b>		
† Capital Stock		6,000,000
<b>Central Terminal Railway Company</b>		
† Capital Stock		2,000,000
<b>Sault Ste. Marie Bridge Company</b>		
Capital Stock		500,000
Advances		223,349
<b>Seigniory Club Community Association, Limited</b>		
† Capital Stock—No Par Value—10,000 Shares	Cost	500,000
<b>Smith Transport Limited</b>		
† Preference Stock	5%	12,000,000
<b>Smithsons Holdings Limited</b>		
† Preference Stock	5%	510,000
† Common Stock—No Par Value—10,000 shares	Cost	14,213,163
Advances		900,000
<b>Soo Line Railroad Company</b>		
Common Stock—No Par Value—704,953 shares	Cost	28,269,860
* Duluth, South Shore and Atlantic Railroad Company		
† First Mortgage Income Bonds	4%	4,191,200
* Minneapolis, St. Paul & Sault Ste. Marie Railroad Company		
General Mortgage Income Bonds	4%	3,339,000
* Wisconsin Central Railroad Company		
First Mortgage Bonds	4%	1,586,500
General Mortgage Income Bonds	4½%	10,427,450
<b>Miscellaneous</b>	Cost	294,252
Carried on Balance Sheet at Cost - \$119,967,711.	Total	<u>\$125,349,575</u>

† Denotes complete ownership.  
\* Obligation and liability assumed  
by Soo Line Railroad Company

## Other Investments and Changes in Investments

<b>Other Investments</b>	<i>Rate</i>	<i>Par Value or Principal Amount</i>
<b>Northern Alberta Railways Company</b>		
First Mortgage Bonds	4%	\$ 16,700,000
Capital Stock		8,640,000
<b>The Toronto, Hamilton and Buffalo Railway Company</b>		
Capital Stock		1,469,500
<b>The Toronto Terminals Railway Company</b>		
First Mortgage Bonds	5%	10,594,700
Capital Stock		250,000
Advances		230,300
<b>Transoceanic Navigation Corporation</b>		
First Preferred Mortgage	5%	4,280,000
<b>Deferred Payments and Mortgages on Properties</b>		3,066,160
<b>Miscellaneous</b>	<i>Cost</i>	<u>1,283,367</u>
Carried on Balance Sheet at Cost - \$45,626,619.	<b>Total</b>	<u><u>\$ 46,514,027</u></u>

<b>Changes in Investments</b>	<i>Balance December 31, 1964</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance December 31, 1965</i>
Canadian Pacific Investments Limited	\$279,270,160	\$ 24,261,000	\$ —	\$303,531,160
Other Controlled Companies	120,760,762	11,450,199	12,243,250	119,967,711
Other Investments	46,443,814	2,963,424	3,780,619	45,626,619
	<u>\$446,474,736</u>	<u>\$ 38,674,623</u>	<u>\$ 16,023,869</u>	<u>\$469,125,490</u>



# Changes in Working Capital

## Changes in Properties

### Changes in Working Capital

**Working Capital December 31, 1964** \$ 40,593,458

**Additions:**

Balance of Income Account transferred to Retained Income	\$ 20,158,592	
Provision for Depreciation	70,914,463	
Income Taxes Deferred	5,700,000	
Proceeds from Sales of Lands, Townsites and other Properties	5,790,280	
Salvage from Depreciable Property Retired	<u>33,254,871</u>	
		<u>135,818,206</u>
		\$176,411,664

**Deductions:**

Purchase of shares of Canadian Pacific Investments Limited	\$ 24,261,000	
Increase in Deferred Debits—Other Assets	2,534,298	
Decrease in Deferred Liabilities	1,806,989	
Additions to Properties	115,698,599	
Retirement of Funded Debt	4,481,000	
Sundry Changes—Net	<u>2,961,206</u>	
		<u>151,743,092</u>

**Working Capital December 31, 1965** \$ 24,668,572

### Changes in Properties

	<i>Balance December 31, 1964</i>	<i>Additions</i>	<i>Retirements and Transfers</i>	<i>Balance December 31, 1965</i>
Railway*	\$2,106,287,655	\$102,639,087	\$48,691,494	\$2,160,235,248
Telecommunications	98,514,559	6,591,727	256,121	104,850,165
Hotels	80,969,688	1,494,131	40,126,329	42,337,490
Steamships	61,865,575	883,410	—	62,748,985
Aircraft	57,811,931	3,922,557	7,271,463	54,463,025
Other Properties	<u>14,950,194</u>	<u>167,687</u>	<u>2,335,756</u>	<u>12,782,125</u>
	<u>\$2,420,399,602</u>	<u>\$115,698,599</u>	<u>\$98,681,163</u>	<u>\$2,437,417,038</u>

\*Includes Securities—Leased Railway Companies at cost:  
December 31, 1964 \$60,249,152; December 31, 1965 \$60,259,811.

# Provision for Depreciation Funded Debt

Provision for Depreciation	Balance Dec. 31, 1964	Appropriated from Income	Net Retirements and Transfers	Balance Dec. 31, 1965
Railway	\$ 933,390,465	\$ 57,992,282	\$ 35,107,280	\$ 956,275,467
Telecommunications	38,299,349	4,630,730	207,735	42,722,344
Hotels	50,657,665	1,330,414	19,686,005	32,302,074
Steamships	17,904,499	2,307,310	64,458	20,147,351
Aircraft	16,551,533	4,368,596	5,301,192	15,618,937
Other Properties	5,082,326	285,131	1,712,408	3,655,049
	<u>\$1,061,885,837</u>	<u>\$ 70,914,463</u>	<u>\$ 62,079,078*</u>	<u>\$1,070,721,222</u>

\* After credits for salvage of \$33,254,871.

Funded Debt	Rate	Date of Issue	Date of Maturity	Currency	Principal Outstanding
‡ Collateral Trust Bonds:					
† Convertible Fifteen Year	3½%	Oct. 1, 1951	Oct. 1, 1966	Canadian	\$ 17,875,000
† Convertible Seventeen Year	4%	Dec. 1, 1952	Dec. 1, 1969	Canadian	25,581,000
† Convertible Twenty Year	3¾%	April 1, 1950	April 1, 1970	Canadian	392,500
Eighteen Year	3¾%	Nov. 15, 1954	Nov. 15, 1972	Canadian	22,759,000
Thirty Year	3½%	Nov. 1, 1944	Nov. 1, 1974	United States	7,125,000
Twenty-Five Year	5%	Feb. 1, 1958	Feb. 1, 1983	Canadian	39,995,000
					<u>\$113,727,500</u>
Equipment Trust Certificates:			Serially to		
Series "M"	3¾%	Jan. 2, 1954	Jan. 2, 1969	United States	\$ 5,004,000
Series "O"	4½%	June 2, 1958	June 1, 1968	Canadian	6,000,000
					<u>\$ 11,004,000</u>
					<u>\$124,731,500</u>

‡ Secured by pledge of Perpetual 4% Consolidated Debenture Stock aggregating, in principal amount, \$135,760,500.

† Conversion Privilege terminated.

Serial maturities of Equipment Trust Certificates in year 1966 total \$3,668,000.



**Debenture Stock**  
**Capital Stocks**

**Debenture Stock**

<b>Perpetual 4% Consolidated Debenture Stock:</b>	<i>Sterling</i>	<i>United States Currency</i>	<i>Canadian Currency</i>	<i>Total</i>
Issued:	£46,756,621	\$72,837,500	\$127,923,000	\$428,309,388
Less: Pledged as collateral	—	7,837,500	127,923,000	135,760,500
	<u>£46,756,621</u>	<u>\$65,000,000</u>	<u>—</u>	<u>\$292,548,888</u>

**Capital Stocks**

<b>Preference Stock—4% Non-Cumulative:</b>	
Issued: £28,203,477—in amounts of £1 and multiples thereof	<u>\$137,256,921</u>
Voting Rights: Each £5 of stock entitles the holder to one vote.	
<b>Ordinary Stock:</b>	
Issued: 14,332,456 shares—\$25 par value	<u>\$358,311,400</u>
Voting Rights: Each share entitles the holder to one vote.	

# Transportation and Traffic Statistics

## Freight Traffic

		Year 1965	Year 1964	Increase or Decrease Amount or Number	Percent
Freight revenue	\$	461,192,418	449,174,898	12,017,520	2.7
Tons—Revenue freight		67,411,452	66,362,475	1,048,977	1.6
Tons—All freight		69,589,347	68,336,824	1,252,523	1.8
Ton miles—Revenue freight		33,773,280,000	33,929,696,000	156,416,000	.5
Ton miles—All freight		34,425,964,000	34,581,092,000	155,128,000	.4

## Averages per Mile of Road

Freight revenue	\$	27,671	26,922	749	2.8
Total freight train car miles		89,552	89,130	422	.5
Ton miles—Revenue freight		2,026,332	2,033,594	7,262	.4
Ton miles—All freight		2,065,492	2,072,635	7,143	.3

## Averages per Train Mile

Freight revenue	\$	17.66	17.48	0.18	1.0
Loaded freight car miles		35.2	35.4	.2	.6
Empty freight car miles		20.8	21.2	.4	1.9
Car miles—All classes		57.4	58.1	.7	1.2
Ton miles—Revenue freight		1,293.2	1,320.5	27.3	2.1
Ton miles—All freight		1,318.2	1,345.9	27.7	2.1
Gross ton miles		2,739.6	2,771.7	32.1	1.2

## Averages per Loaded Car Mile

Freight revenue	¢	50.1	49.2	0.9	1.8
Ton miles—All freight		37.4	37.9	.5	1.3

## Miscellaneous Averages

Revenue per ton of freight	\$	6.84	6.77	0.07	1.0
Revenue per ton mile of freight	¢	1.37	1.32	0.05	3.8
Miles hauled—Revenue freight		501.0	511.3	10.3	2.0
Miles hauled—All freight		494.7	506.0	11.3	2.2
Gross ton miles per train hour		58,861	59,138	277	.5
Train speed—Miles per hour		21.5	21.3	.2	.9

## Classification of Revenue Tonnage Carried

Products of agriculture		14,286,264	17,264,507	2,978,243	17.3
Animals and animal products		441,906	467,434	25,528	5.5
Products of mines		21,503,817	20,200,834	1,302,983	6.5
Products of forests		6,593,780	6,398,083	195,697	3.1
Manufactures and miscellaneous		24,225,720	21,679,320	2,546,400	11.7

## Total Carload Traffic

		67,051,487	66,010,178	1,041,309	1.6
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## Total L.C.L. Traffic

		359,965	352,297	7,668	2.2
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## Total Carload and L.C.L. Traffic

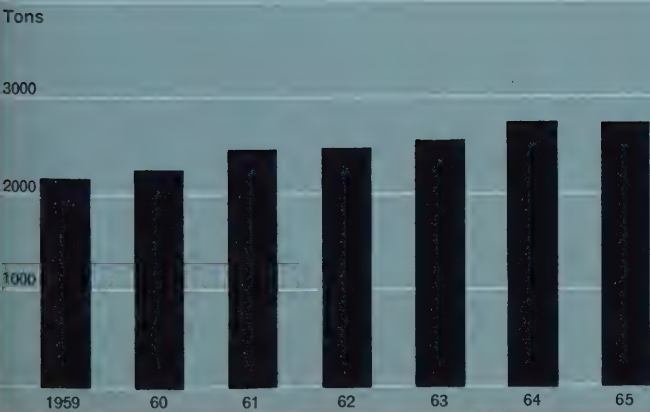
		67,411,452	66,362,475	1,048,977	1.6
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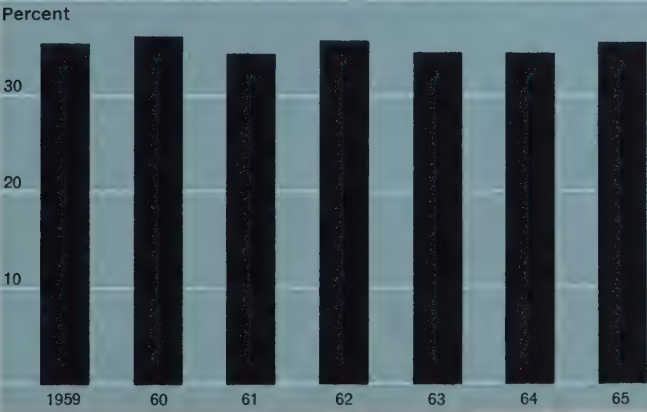
Passenger Traffic

		Year 1965	Year 1964	Increase or Decrease Amount or Number	Percent
Passenger revenue	\$	23,946,514	24,996,914	1,050,400	4.2
Passenger service train revenue	\$	35,089,361	38,466,136	3,376,775	8.8
Revenue passengers carried		6,868,283	6,997,202	128,919	1.8
Revenue passenger miles		878,676,000	1,023,475,000	144,799,000	14.1
<b>Averages per Train Mile</b>					
Passenger revenue	\$	2.70	2.67	0.03	1.1
Passenger service train revenue	\$	3.96	4.11	0.15	3.6
Car miles—All classes		9.4	10.9	1.5	13.8
Revenue passenger miles		99.2	109.4	10.2	9.3
Gross ton miles		613.5	705.8	92.3	13.1
<b>Averages per Car Mile—Passenger</b>					
Passenger revenue	¢	44.0	42.1	1.9	4.5
Revenue passenger miles		16.1	17.2	1.1	6.4
<b>Miscellaneous Averages</b>					
Revenue per passenger	\$	3.49	3.57	0.08	2.2
Revenue per passenger mile	¢	2.73	2.44	0.29	11.9
Miles carried—Revenue passengers		127.9	146.3	18.4	12.6

Freight Train Weight



Ratio of Transportation Expenses to Railway Revenues

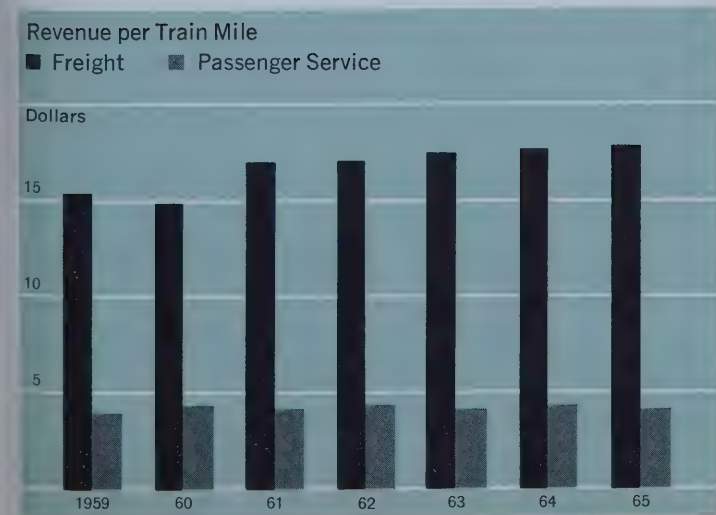


# Transportation and Traffic Statistics — Continued

	Year 1965	Year 1964	Increase or Decrease Amount or Number	Percent
<b>Average Miles of Road Operated</b>	<b>16,667.2</b>	<b>16,684.6</b>	<b>17.4</b>	<b>.1</b>
<b>Train Miles</b>				
Freight service	26,116,622	25,693,913	422,709	1.6
Passenger service:				
With locomotives	6,186,713	6,725,592	538,879	8.0
Rail Diesel Cars	2,673,631	2,625,718	47,913	1.8
Total	8,860,344	9,351,310	490,966	5.3
Total Transportation Service	34,976,966	35,045,223	68,257	.2
<b>Diesel Unit Miles</b>				
Freight service	60,714,900	58,768,413	1,946,487	3.3
Passenger service	12,770,076	15,556,124	2,786,048	17.9
Switching service—Road and yard	10,991,221	10,750,508	240,713	2.2
Total Transportation Service	84,476,197	85,075,045	598,848	.7
<b>Car Miles</b>				
<b>Freight</b>				
Loaded	921,149,323	913,505,107	7,644,216	.8
Empty	543,167,624	545,479,411	2,311,787	.4
Caboose	28,263,489	28,108,597	154,892	.6
Total	1,492,580,436	1,487,093,115	5,487,321	.4
<b>Passenger</b>				
Coach	24,407,678	26,111,619	1,703,941	6.5
Sleeping, parlour and observation	30,062,184	33,328,973	3,266,789	9.8
Baggage, mail and express	23,591,685	36,795,927	13,204,242	35.9
Dining and other	5,369,052	6,476,304	1,107,252	17.1
Total	83,430,599	102,712,823	19,282,224	18.8
Total Transportation Service	1,576,011,035	1,589,805,938	13,794,903	.9
<b>Gross Ton Miles</b>				
Freight service	71,548,860,000	71,214,588,000	334,272,000	.5
Passenger service	5,435,905,000	6,599,961,000	1,164,056,000	17.6
Total Transportation Service	76,984,765,000	77,814,549,000	829,784,000	1.1



Revenues and Expenses			Increase or Decrease	
	Year 1965	Year 1964	Amount or Number	Percent
<b>Averages per Mile of Road</b>				
Railway revenues	\$ 31,046	30,530	516	1.7
Operating expenses	\$ 26,269	25,388	881	3.5
Net operating revenue	\$ 4,777	5,142	365	7.1
<b>Averages per Train Mile</b>				
Railway revenues	\$ 14.80	14.54	0.26	1.8
Operating expenses	\$ 12.52	12.09	0.43	3.6
Net operating revenue	\$ 2.28	2.45	0.17	6.9
<b>Percent Operating Expenses to Railway Revenues</b>	<b>84.57</b>	83.09	1.48	1.8
<b>Payroll</b>				
Charged operating expenses	\$ 242,577,223	238,184,594	4,392,629	1.8
Percent to railway revenues	46.83	46.69	.14	.3
Percent to operating expenses	55.37	56.19	.82	1.5



## Mileage and Rolling Stock Inventory

<b>Mileage</b>	<i>Miles Operated</i>
<b>Canadian Pacific Railway:</b>	
Atlantic Region	2,455.5
including Dominion Atlantic Lines	277.1
Quebec Central Lines	354.2
Eastern Region	3,273.1
including Lake Erie and Northern Railway	46.5
Grand River Railway	19.0
Prairie Region	6,129.3
Pacific Region	<u>4,804.1</u>
	16,662.0
<b>Controlled Railway Companies:</b>	
Aroostook Valley Railroad	32.0
Soo Line Railroad	<u>4,692.2</u>
	<u>4,724.2</u>
	<u>21,386.2</u>

<b>Rolling Stock Inventory</b>	<i>Number of Units Dec. 31, 1964</i>	<i>Additions</i>	<i>Retirements</i>	<i>Re- classified</i>	<i>Number of Units Dec. 31, 1965</i>
<b>Motive Power:</b>					
Diesel Units	<u>1,066</u>	<u>48*</u>	<u>49</u>	<u>—</u>	<u>1,065</u>
<b>Freight Train Cars:</b>					
Box, Automobile and Stock	52,713	958	727	92	52,852
Refrigerator, Tank and Covered Hopper	4,980	1,026	62	187	6,131
Gondola, Ore and Open-top Hopper	14,794	100	142	1	14,751
Flat—Piggyback, Tri-level, Bi-level and Other	5,617	659	53	5	6,218
Conductors' Vans	<u>1,037</u>	<u>—</u>	<u>25</u>	<u>—</u>	<u>1,012</u>
<b>Total</b>	<u>79,141</u>	<u>2,743</u>	<u>1,009</u>	<u>89</u>	<u>80,964</u>
<b>Passenger Train Cars:</b>					
Rail Diesel Cars	54	—	—	—	54
Coach	397	—	22	11	364
Sleeping, Dining and Parlour	386	—	33	12	341
Baggage, Mail and Express	<u>516</u>	<u>—</u>	<u>21</u>	<u>241</u>	<u>254</u>
<b>Total</b>	<u>1,353</u>	<u>—</u>	<u>76</u>	<u>264</u>	<u>1,013*</u>
<b>Boarding, Tool and Other Work Cars</b>	<u>5,071</u>	<u>4</u>	<u>440</u>	<u>175</u>	<u>4,810</u>

\* 48 Units completely rebuilt and upgraded with "New Unit" guarantee.

\*\* Includes 7 cars in which the Company owns 36.04% interest and which are in Toronto, Hamilton and Buffalo line service.



Total transportation service also embraces passenger, trucking and telecommunications operations. 'The Canadian', renowned Scenic-Dome transcontinental streamliner, travels through the Canadian Rockies. Huge trucks of Smith Transport, a Canadian Pacific subsidiary, are a familiar sight on highways in Eastern Canada. The growing business communications market is well-served by the modern electronic network and equipment of Canadian Pacific Telecommunications.





Though total transportation as provided by integrated Canadian Pacific land-sea-air services highlighted 1965, great progress was made in other diverse areas. The Chateau Lacombe, 24-storey Canadian Pacific-managed hotel in Edmonton, approached completion for its opening this year. Gas plant of Canadian Pacific Oil and Gas, Limited, is on-stream at Redland, Alberta. Modern contract logging equipment operating on lands of Pacific Logging Company on Vancouver Island. 'Cominco' mined important quantities of high-grade zinc-lead ore from the Pine Point mine, Northwest Territories.





A major step in the continuing implementation of the Canadian Pacific total transportation concept was made with the ordering by Canadian Pacific (Bermuda) Limited, of two new 65,000 d.w.t. tankers, the first to be named 'Lord Mount Stephen'.

At The Canadian Pacific — Cominco Pavilion, millions of visitors to Expo '67 will become acquainted with the aims, achievements and potential of the two companies.



85,000 miles of integrated land-sea-air routes serving five continents show the global extent and impact of Canadian Pacific total transportation.



- Railway
- Steamships
- Airlines



Where it came from

Manufactures  
and  
Miscellaneous



51¢ 16¢ 22¢ 7¢ 4¢

Where it went

Payroll,  
Pensions  
and  
Benefits



53¢ 19¢ 11¢ 9¢ 3¢ 5¢

## Twenty-Year Summary for the years 1946 to 1965

All dollars in thousands, except amounts per share.

Year	Railway Revenues	Railway Expenses	Net Earnings	Ratio to Revenues	Other Income	Income before Fixed Charges	Fixed Charges
1946	\$292,496	\$271,653	\$20,843	7.1%	\$22,780	\$43,623	\$18,488
1947	318,586	295,694	22,892	7.2	24,789	47,681	15,787
1948	355,250	336,831	18,419	5.2	24,865	43,284	15,890
1949	363,252	342,620	20,632	5.7	23,637	44,269	14,544
1950	378,577	340,557	38,020	10.0	23,237	61,257	13,390
1951	428,912	402,099	26,813	6.3	29,343	56,156	12,849
1952	457,809	428,878	28,931	6.3	22,652	51,583	12,504
1953	470,572	441,687	28,885	6.1	16,802	45,687	14,237
1954	422,642	395,609	27,033	6.4	17,835	44,868	15,042
1955	448,599	411,272	37,327	8.3	22,894	60,221	16,189
1956	505,262	463,926	41,336	8.2	30,034	71,370	15,752
1957	487,565	449,319	38,246	7.8	23,442	61,688	14,902
1958	467,411	430,919	36,492	7.8	13,409	49,901	16,998
1959	477,806	441,760	36,046	7.5	12,678	48,724	17,435
1960	457,106	423,431	33,675	7.4	12,402	46,077	17,106
1961	465,490	427,839	37,651	8.1	11,717	49,368	16,907
1962	453,169	424,191	28,978	6.4	20,460	49,438	17,080
1963	477,198	441,936	35,262	7.4	21,402	56,664	16,538
1964	510,145	466,680	43,465	8.5	16,789	60,254	16,184
1965	518,035	477,795	40,240	7.8	17,580	57,820	16,344



Net Income from Railway and Miscellaneous Sources	Preference Dividends (Payable in Sterling)	Net Income from Railway and Miscellaneous Sources after Preference Dividends			Net Income from Canadian Pacific Investments Limited		Year
		Total	Per Ordinary Share	Dividends per Ordinary Share	Total	Dividends per Ordinary Share	
\$25,135	\$4,558	\$20,577	\$1.53	\$1.25			1946
31,894	4,558	27,336	2.04	1.25			1947
27,394	4,558	22,836	1.70	1.25			1948
29,725	3,873	25,852	1.93	1.25			1949
47,867	3,389	44,478	3.32	1.50			1950
43,307	3,328	39,979	2.98	1.50			1951
39,079	3,103	35,976	2.61	1.50			1952
31,450	3,130	28,320	2.05	1.50			1953
29,826	3,091	26,735	1.94	1.50			1954
44,032	3,136	40,896	2.94	1.50			1955
55,618	3,080	52,538	3.76	1.75			1956
46,786	3,029	43,757	3.11	1.50			1957
32,903	3,068	29,835	2.09	1.50			1958
31,289	3,029	28,260	1.97	1.50			1959
28,971	3,096	25,875	1.81	1.50			1960
32,461	3,204	29,257	2.04	1.50			1961
32,358	3,429	28,929	2.02	1.50			1962
40,126	3,407	36,719	2.56	1.50			1963
44,070	3,390	40,680	2.83	1.50	\$14,332	\$1.00	1964
41,476	3,401	38,075	2.65	1.25	20,065	1.40	1965

## Anticipated Capital Appropriations — 1966

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### Anticipated Capital Appropriations—1966

<b>Station and Roadway Buildings</b>		\$ 1,050,916
<b>Shops and Enginehouses</b>		2,643,600
<b>Bridges, Tunnels and Culverts</b>		600,700
<b>Existing Trackage</b>		
Ties	\$ 5,562,658	
Rails	11,897,000	
Other Track Material	875,650	
Ballast	1,287,300	
Signals	<u>5,602,085</u>	
		25,224,693
<b>New Trackage</b>		3,360,962
<b>Other Road Facilities</b>		1,993,114
<b>Rolling Stock</b>		
Locomotives	\$13,604,630	
Car and Work Equipment	<u>42,693,385</u>	
		56,298,015
<b>Shop Machinery</b>		527,900
<b>Highway Vehicles</b>		640,198
<b>Telecommunications</b>		4,882,470
<b>Hotels</b>		368,471
<b>Steamships</b>		80,483
<b>Other Properties</b>		<u>2,994</u>
		<u><u>\$97,674,516</u></u>





Place du Canada  
Le Château Champlain / Office Building Complex  
Opening early in 1967 in Montreal



# Canadian Pacific

Trains / Trucks / Ships / Planes / Hotels / Telecommunications  
World's Most Complete Transportation System

